

Al-Yusr Leasing And Financing Company
(A Saudi Closed Joint Stock Company)
Riyadh– Saudi Arabia
Interim Condensed Financial Statements (Unaudited)
and Independent Auditor's Report
For the three and nine Months Period Ended
September 30, 2020

Al-Yusr Leasing And Financing Company
(A Saudi Closed Joint Stock Company)
Riyadh - Saudi Arabia
Interim Condensed Financial Statements (Unaudited) and Independent Auditor's Report
For the three and nine Months Period Ended September 30, 2020

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ASSOCIATED ACCOUNTANTS

Houmod Al Robian and Co. - Certified Accountants and Consultants

Independent Auditor's Report of Interim Condensed Financial Statements

To, The Shareholders
Al-Yusr Leasing And Financing Company
(A Saudi Closed Joint Stock Company)
Riyadh - Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Al-Yusr Leasing And Financing Company - (A Saudi Closed Joint Stock Company) (the "Company") as at September 30, 2020 and the related interim condensed statements of Profit or Loss and Other Comprehensive Income for the three and nine months period, and statements of changes in shareholders' equity and cash flows for the nine-months period then ended and a summary of significant accounting policies and other explanatory notes from 1 to 17.

Management is responsible for the preparation and fair presentation of these interim condensed 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 interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 interim condensed financial statements as at September 30, 2020 are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

Date: December 24, 2020


Associated Accountants
Independent Member of Geneva Group International

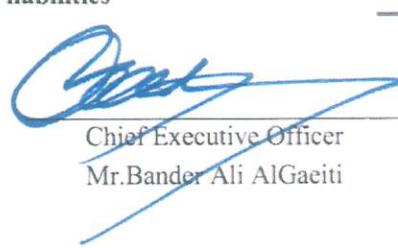


Hamoud Ali Al-Rubian
(License No. 222)

Al-Yusr Leasing And Financing Company
(A Saudi Closed Joint Stock Company)
Interim Condensed Statement of Financial Position (Unaudited)
As at September 30, 2020
(Saudi Riyal)

	Note	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<u>Assets</u>			
Cash and cash equivalents		221,702,598	36,613,543
Prepayments and other receivables	5	277,487,140	205,052,685
Due from related parties	6	499,128,176	2,759,156
Net investment in Islamic financings	7	1,586,666,129	2,537,044,903
Margin deposits – restricted	8	147,135,073	163,870,328
Investment carried at FVOCI		892,875	892,875
Property and equipment		7,084,036	10,054,780
Intangible assets		2,399,040	3,449,446
Right-of-use assets		9,176,559	13,123,066
Total Assets		2,751,671,626	2,972,860,782
<u>Shareholders' Equity and Liabilities</u>			
Shareholders' Equity:			
Share capital	9	500,000,000	500,000,000
Statutory reserve		98,512,706	98,512,706
Retained earnings		412,593,691	542,734,751
Actuarial gain on employees' post-employment benefits		1,194,964	1,194,964
Total shareholders' equity		1,012,301,361	1,142,442,421
Liabilities:			
Trade payables		37,039,843	96,959,030
Other payables and accruals	10	154,160,140	90,428,712
Lease liabilities		5,510,384	8,874,853
Due to related parties	6	109,304,348	141,437,643
Net servicing liability for securitized receivables		86,207,876	121,823,384
Provision for zakat	11	36,205,818	29,828,363
Borrowings	12	1,288,994,943	1,319,652,376
Employees' post-employment benefits		21,946,913	21,414,000
Total liabilities		1,739,370,265	1,830,418,361
Total shareholders' equity and liabilities		2,751,671,626	2,972,860,782


Chief Financial Officer
Mr. Talal Khalaf AlEnezi


Chief Executive Officer
Mr. Bander Ali AlGaeiti


Chairman of Board of Directors
Eng. Abdulmohsen Abdullatif Alissa

The accompanying notes from 1 to 17 are an integral part of these interim condensed financial statements

Al-Yusr Leasing And Financing Company

(A Saudi Closed Joint Stock Company)

Interim Condensed Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the three and nine Months Period Ended September 30, 2020

(Saudi Riyal)

	Note	For the three Months Period Ended September 30,		For the nine Months Period Ended September 30,	
		2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Income From Islamic Financing, Net		33,951,529	59,008,027	150,178,600	186,324,349
Operating (Expenses) / Income					
Finance cost		(25,083,081)	(21,379,792)	(69,703,685)	(65,107,558)
(Impairment) / reversal of impairment on Islamic Financing, net	13	70,840,642	32,661,879	(78,061,809)	37,647,721
Modification loss on Islamic financing, net	7&15	(2,650,707)	-	(21,233,455)	-
Loss from collection deferment	7	(38,595,969)	-	(38,595,969)	-
Loss from restructuring of finance income		(21,875,104)	-	(21,875,104)	-
Modification gain on restructuring of Monsh'at loans, net	12&15	-	-	6,260,196	-
Modification gain on restructuring of financial facilities, net	12&15	-	-	36,703,045	-
Reversal of impairment / (impairment) of margin deposits	8	11,776,295	(24,241,979)	9,510,194	(24,241,979)
Reversal of provision in respect of present value of margin deposit	8	2,186,955	-	8,097,592	-
General and administrative expenses		(46,559,521)	(40,562,287)	(123,132,033)	(119,291,470)
Selling and marketing expenses		(143,027)	(377,945)	(1,171,526)	(1,387,582)
Other Income		6,084,309	5,988,612	22,587,609	22,731,917
(Loss) / income before zakat		(10,067,679)	11,096,515	(120,436,345)	36,675,398
Zakat charge for the period	11	(2,544,069)	(1,109,652)	(9,704,715)	(3,667,540)
Net (loss) / income for the period		(12,611,748)	9,986,863	(130,141,060)	33,007,858
Other comprehensive income		-	-	-	-
Total comprehensive (loss) / income for the period		(12,611,748)	9,986,863	(130,141,060)	33,007,858

Chief Financial Officer
Mr. Talal Khalaf AlEnezi

Chief Executive Officer
Mr. Bander Ali AlGaeiti


Chairman of Board of Directors
Eng. Abdulmohsen Abdullatif Alissa


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Al-Yusr Leasing And Financing Company
(A Saudi Closed Joint Stock Company)
Interim Condensed Statement of Changes in Shareholders' Equity (Unaudited)
For the nine Months Period Ended September 30, 2020
(Saudi Riyal)

	Share capital	Statutory reserve	Retained earnings	Actuarial gain on employees' post-employment benefits	Total
2019					
Balance as at December 31, 2018 (restated)	500,000,000	97,221,911	531,117,598	1,194,964	1,129,534,473
Total comprehensive income for the period	-	-	33,007,858	-	33,007,858
Balance as at September 30, 2019	500,000,000	97,221,911	564,125,456	1,194,964	1,162,542,331
2020					
Balance as at December 31, 2019 (audited)	500,000,000	98,512,706	542,734,751	1,194,964	1,142,442,421
Total comprehensive loss for the period	-	-	(130,141,060)	-	(130,141,060)
Balance as at September 30, 2020	500,000,000	98,512,706	412,593,691	1,194,964	1,012,301,361


Chief Financial Officer
Mr. Talal Khalaf AlEnezi


Chief Executive Officer
Mr. Bander Ali AlGhaffi


Chairman of Board of Directors
Eng. Abdulmohsen Abdullatif Alissa

The accompanying notes from 1 to 17 are an integral part of these interim condensed financial statements

Al-Yusr Leasing And Financing Company
(A Saudi Closed Joint Stock Company)
Interim Condensed Statement of Cash Flows (Unaudited)
For the nine Months Period Ended September 30, 2020
(Saudi Riyal)

	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)
Cash Flows From Operating Activities		
(Loss) / Income for the period before zakat	(120,436,345)	36,675,398
Adjustments for:		
Depreciation of right of use assets	4,585,281	5,122,158
Depreciation of property and equipment	3,288,515	2,477,867
Amortization of intangibles	1,362,920	1,429,150
Impairment of Islamic financing, net	78,061,809	48,753,463
Reversal of Impairment on margin deposits	(9,510,194)	(51,053,463)
Reversal of provision in respect of present value of margin deposits	(8,097,592)	-
Modification loss on Islamic financing, net	21,233,455	-
Modification gain on restructuring of Monsh'at loans, net	(6,260,196)	-
Modification gain on restructuring of financial facilities, net	(36,703,045)	-
Finance cost	69,703,685	51,778,219
Loss on disposal of property and equipment	-	1,858
Other income - deferred revenue portion related to write-offs	(8,242,599)	-
Provision for employees' post-employment benefits	3,486,441	3,117,429
	(7,527,865)	98,302,079
(Increase) / decrease in operating assets		
Prepayments and other receivables	(72,434,455)	55,013,438
Due from related parties	(496,369,020)	(334,968)
Net investment in Islamic financing	851,083,510	(125,829,023)
Margin deposit - restricted	34,343,041	(8,612,993)
Increase / (decrease) in operating liabilities		
Trade payables	(59,919,187)	89,950,087
Other payables and accruals	63,731,428	1,418,177
Due to a related party	(32,133,295)	73,650,088
Net servicing liability for securitized receivables	(35,615,508)	(82,249,427)
Zakat paid	(3,327,260)	(44,730,986)
Lease liabilities paid	(4,390,000)	(5,610,113)
Employees' post-employment benefits paid	(2,953,528)	(3,113,516)
Net cash generated from operating activities	234,487,861	47,852,843
Cash Flows From Investing Activities		
Acquisition of property and equipment	(491,718)	(823,038)
Addition of intangible assets	(138,567)	(960,251)
Net cash used in investing activities	(630,285)	(1,783,289)
Cash Flows From Financing Activities		
Proceeds from borrowings	759,629,365	1,182,776,441
Repayment of borrowings	(752,814,294)	(1,248,273,265)
Finance cost paid	(55,583,592)	(51,436,991)
Net cash used in financing activities	(48,768,521)	(116,933,815)
Net increase / (decrease) in cash and cash equivalents	185,089,055	(70,864,261)
Cash and cash equivalents at beginning of the period	36,613,543	188,293,063
Cash and cash equivalents at end of the period	221,702,598	117,428,802

Chief Financial Officer
Mr. Talal Khalaf AlEnezi

Chief Executive Officer
Mr. Bander Ali AlGaeiti

Chairman of Board of Directors
Eng. Abdulmohsen Abdullatif Alissa

The accompanying notes from 1 to 17 are an integral part of these interim condensed financial statements

Al-Yusr Leasing And Financing Company
(A Saudi Closed Joint Stock Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
For the nine Months Period Ended September 30, 2020

1-Legal Status and operations

Al-Yusr Leasing and Financing Company ("the Company") is a Saudi Closed Joint-Stock Company registered in Riyadh in the Kingdom of Saudi Arabia under CR. No. 1010192058 issued on 20 Shawal 1424H corresponding to 14 December 2003G.

The main activities of the Company are to engage in Islamic finance lease, financing of small and medium-sized enterprises, financing of productive assets and consumer finance under the Saudi Arabian Monetary Authority (SAMA) license No. (10/AO/201403) issued on 27 Rabi' al-Thani 1435H corresponding to 28 February 2014G.

The Company's Head Office is located at the following address;

Al-Yusr Leasing and Financing Company
Salah Uddin Ayubi Street, Al Malaz
P.O. Box 25773
Riyadh 11476
Kingdom of Saudi Arabia

These interim condensed financial statements include the results, assets and liabilities of the following branches:

Branch	CR. NO.	Date
Riyadh-Damman Road	1010404025	9 Rabi' al-Thani 1435H
Riyadh-Exit 5	1010404022	9 Rabi' al-Thani 1435H
Riyadh-Exit 10	1010404068	9 Rabi' al-Thani 1435H
Riyadh-Exit 25	1010404018	9 Rabi' al-Thani 1435H
Riyadh-Khuraish Road	1010404065	9 Rabi' al-Thani 1435H
Hafr Al Baten	1010429749	24 Rabi' al-Awal 1436H
Hafr Al Baten	2511020230	12 Thul-Qi'dah 1434H
Oniza	1128017776	13 Rabi' al-Thani 1435H
Hail	3350037814	25 Safar 1434H
Sekaka	3400017706	13 Rabi' al-Thani 1435H
Tabouk	3550033063	5 Rabi' al-Thani 1435H
Dammam	2050098038	11 Rabi' al-Thani 1435H
Dammam	2051028846	20 Thul-Qi'dah 1424H
Al Qateef	2053022257	10 Thul-Qi'dah 1431H
Al-Jubail	2055021890	9 Rabi' al-Thani 1435H
Al Ihsaa	2252034974	12 Jumada al-Ula 1428H
Jeddah – Rowdah	4030170831	22 Jumada al-Akhirah 1428H
Jeddah – Al Jawahra	4030283344	4 Rabi' al-Thani 1436H
Makkah	4031060371	01 Thul-Qi'dah 1431H
Yanbu	4700017653	02 Jumada al-Akhirah 1435H
Madinah Monawarah-Aziziah	4650055494	02 Jumada al-Ula 1433H
Khamis Mshait	5855044025	24 Jumada al-Akhirah 1433H
Jazan	5900027559	17 Rabi' al-Thani 1435H
Riyadh	1010442499	14 Jumada al-Ula 1437H
Kharj	1011020863	5 Safar 1435H
Madinah	1131051618	13 Rabi' al-Thani 1435H

Al-Yusr Leasing And Financing Company
(A Saudi Closed Joint Stock Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
For the nine Months Period Ended September 30, 2020

2- Basis of preparation

2.1-Statement of compliance

These interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

The Company's interim statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as non-current: property and equipment, margin deposit - restricted, net investment in Islamic financing, right of use assets, end-of-service obligations, net servicing liability for securitized receivables, long term portion of borrowings and lease liabilities. All other financial statement line items would generally be classified as current.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's financial statements for the year ended 31 December 2019.

The accounting policies used in the preparation of the condensed interim condensed financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended December 31, 2019, except those stated in note 2.2.

2.2-Accounting policy related to government grants

The Company recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of interest is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognised in interim statement of income on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants is intended to compensate.

2.3-Basis of measurement

These interim condensed financial statements are prepared under the historical cost except for the following:

- a) Employees' post-employment benefits are recognized at the present value of future obligations using the Projected Unit Credit Method.
- b) Investments that are measured at fair value

2.4-Functional and presentation currency

These interim condensed financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency. All financial information presented in Saudi Arabian Riyals has been rounded to the nearest Saudi Riyal, unless otherwise mentioned.

Al-Yusr Leasing And Financing Company
(A Saudi Closed Joint Stock Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
For the nine Months Period Ended September 30, 2020

3-Significant accounting judgements, estimates, and assumptions

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim condensed financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the statutory financial statements as at and for the year ended December 31, 2019, except for the estimate described below:

Measurement of the expected credit loss allowance

In the preparation of the interim condensed financial statements management has made certain additional assumptions in the measurement of Expected Credit Loss (ECL). Explanation of such inputs, assumptions and estimation techniques used in measuring ECL are further detailed in note 15 to these interim condensed financial statements. However, in view of the current uncertainty as explained in note 15 any future change in the assumptions and key 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.

4-New amended standards and interpretations that are not yet effective:

New accounting standards and amendments to existing accounting standards effective from January 1, 2020 and onwards do not have any significant effect on the Company's interim condensed financial statements.

5- Prepayments and Other Receivables

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Advance payments to banks against sold portfolio	257,315,396	167,144,304
Claims receivable	15,216,626	11,018,770
Deferred insurance cost	2,977,175	14,821,666
Advance to suppliers – unsecured	1,114,831	1,062,613
Prepaid rent	512,518	388,654
Advances to staff	43,487	2,186,321
Other prepayments	307,107	8,430,357
	277,487,140	205,052,685

Al-Yusr Leasing And Financing Company
(A Saudi Closed Joint Stock Company)

Notes to the Interim Condensed Financial Statements (Unaudited)
For the nine Months Period Ended September 30, 2020
(Saudi Riyal)

6-Related Parties Balances and Transactions

Balances as at 30 September 2020

	Nature of relationship	30 September 2020 (Unaudited)	31 December 2019 (Audited)
A-Due from related parties			
Abdullatif Alissa Group Holding Company	Parent Company	496,169,039	-
General Parts company	Affiliate	1,994,988	1,920,357
Best Trading Company	Affiliate	621,759	581,729
National Automotive Trading Company	Affiliate	264,342	254,476
Alissa Universal Motor Company	Affiliate	75,454	-
Alissa Investment Company	Affiliate	2,594	2,594
		<u>499,128,176</u>	<u>2,759,156</u>
B-Due to related parties			
General Automotive Company	Affiliate	64,810,985	96,643,812
Abdullatif Alissa Automotive Company	Affiliate	44,173,088	42,893,650
Aqar and Memar Real Estate Company	Affiliate	320,275	308,337
Alissa Universal Motor Company	Affiliate	-	67,789
Abdullatif Alissa Group Holding Company	Parent Company	-	1,524,055
		<u>109,304,348</u>	<u>141,437,643</u>
C-Key management personnel			
	Advance to key management personnel	-	163,318
	Directors' meeting attendance fee payable	-	875,333

Al-Yusr Leasing And Financing Company
(A Saudi Closed Joint Stock Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
For the nine Months Period Ended September 30, 2020
(Saudi Riyal)

6-Related Parties Balances and Transactions (continued)

Transactions during the period

Name of Related Party	Nature of relationship	Nature of transaction	For the Nine-months period ended 30 September	
			2020	2019
Abdullatif Alissa Group Holding Company	Parent Company	IT cost allocation	357,195	5,795,758
		Sale of Islamic financing receivables (Note 7.3)	902,823,297	-
		Discount on sale of Islamic financing receivables (Note 7.3)	(366,823,297)	
		Deferment of future receipts	(38,595,969)	
		Settlement of zakat guarantee	(6,502,186)	-
		Finance cost charged*	42,289	-
		Other settlements	(431,188)	-
Abdullatif Alissa Automotive Company	Affiliate	Asset purchases from Affiliate for Islamic financing	-	8,954,741
		Payments made	(371,560)	-
		Expenses incurred on company behalf	-	12,248,670
		Finance cost charged*	1,650,998	-
Alissa Universal Motor Company	Affiliate	Asset purchases from affiliate for Islamic financing	-	12,217,695
		Payments made to affiliate	(143,795)	(15,916,756)
		Adjustment of receivables	-	(1,975,891)
		Expenses incurred on company behalf	-	3,152,709
		Finance cost charged*	552	-
General Automotive Company	Affiliate	Asset purchases from Affiliate for Islamic financing	-	143,992,129
		Payments made to Affiliate	(35,260,684)	(21,980,925)
		Adjustment of receivables	-	(72,856,012)
		Finance cost charged*	3,408,125	-
Aqar and Memar Real Estate Company	Affiliate	Adjustment of receivables	-	17,970
		Finance cost charged*	11,939	-

Al-Yusr Leasing And Financing Company
(A Saudi Closed Joint Stock Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
For the nine Months Period Ended September 30, 2020
(Saudi Riyal)

6-Related Parties Balances and Transactions (continued)

Transactions during the period (continued)

Name of Related Party	Nature of relationship	Nature of transaction	For the Nine-months period ended 30 September	
			2020	2019
Best Trading Company	Affiliate	Expenses incurred by the Company on behalf of the Affiliate	40,030	42,451
General Parts company	Affiliate	Expenses incurred by the Company on behalf of the Affiliate	74,631	282,773
National Automotive Trading Company	Affiliate	Expenses incurred by the Company on behalf of the Affiliate	9,866	18,333
General Services	Affiliate	Expenses incurred by the Company on behalf of the Affiliate	-	8,589
Key management personnel		Salaries and other short-term employee benefits	5,431,546	5,353,611
Key management personnel		Directors' meeting attendance fee	3,006,627	1,316,167

6.1-*Finance cost has been charged by the group company at an average rate of 5% on the due to balances.

6.2-Net Investment in Islamic Financings

Related Parties	Nature of Relationship	Product type	Profit rate	Tenure	30 September 2020	31 December 2019
					(Unaudited)	(Audited)
Key management	Executive Staff	Ijara	4% - 5%	49 months	-	941,279
Key management employees of affiliated companies	Affiliate	Ijara	5%	49 - 60 months	-	56,074
		Murabaha	8%	48 months	-	296,101
	Affiliate	Murabaha	6%	36 months	-	73,714
Tanya Bottled Drinking Water Ltd Co	Affiliate	Ijara	6%	22-36 months	-	396,615
					-	1,763,783

Al-Yusr Leasing And Financing Company
(A Saudi Closed Joint Stock Company)
Notes to the Interim Condensed Financial Statements (Unaudited)
For the nine Month Period Ended September 30, 2020
(Saudi Riyal)

7-Net Investment In Islamic Financings

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Gross investment in Islamic financings	2,174,473,727	3,531,199,909
Unearned / Deferred Islamic financing income	(309,038,874)	(448,003,142)
Unearned origination fee	(4,964,689)	(9,544,796)
Advances from customers	(8,697,330)	(8,421,214)
	1,851,772,834	3,065,230,757
Modification loss on restructuring of Islamic financings	(21,233,455)	-
Less: Provision for impairment of Islamic financing	(243,873,250)	(528,185,854)
	1,586,666,129	2,537,044,903

7.1-The movement in the provision for impairment of Islamic financing during the period is as follows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Opening balance	528,185,854	303,973,609
Charged during the period / year (note13)	168,197,753	224,212,245
Provision on sold Islamic financing receivables	(222,016,952)	-
Write-off during the period / year	(230,493,405)	-
	243,873,250	528,185,854

7.2-Portfolio provision analysis for gross investment in Islamic financing:

September 30, 2020	Gross investment in Islamic financing	Provision for impairment	Expected loss rates
Not yet due	656,182,982	887,946	0.01% - 0.46%
1-90 days	559,173,340	41,122,600	0.59% - 37.91%
91-180 days	138,628,653	21,114,487	0.88% - 49.84%
181-365 days	241,513,126	47,750,862	1.95% - 50.69%
Above 365 days	578,975,626	132,997,355	10.81% - 50.75%
	2,174,473,727	243,873,250	
December 31, 2019	Gross investment in Islamic financing	Provision for impairment	Expected loss rates
Not yet due	831,450,923	1,271,944	0.0% - 0.65%
1-90 days	1,026,352,283	83,673,189	0.46% - 41.32%
91-180 days	184,706,844	28,212,041	0.79% - 52.48%
181-365 days	235,096,806	47,419,840	1.45% - 58.48%
Above 365 days	1,253,593,053	367,608,840	12.20% - 52.95%
	3,531,199,909	528,185,854	

7.3-During the period ended September 30, 2020, the Company has sold Islamic financing receivables with no recourse to Abdullatif Alissa Group Holding Company (the "Parent Company") amounting to the net of SR 536 million (gross lease sold 902.8M less provision of impairment against the sold portfolio of 366.8M). As per the agreement, the Parent Company is required to settle SR 536 million over six monthly instalments starting from March, 2021 over a period of three years. The Company has incurred a loss from the deferments of collections (installments) of SR. 38.5 million.

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8-Margin Deposits – Restricted

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Gross Margin deposits with banks	212,431,039	246,774,080
Less: impairment provision in respect of margin deposits	(55,501,813)	(65,012,007)
Less: Provision in respect of present value of margin deposit	(9,794,153)	(17,891,745)
	<u>147,135,073</u>	<u>163,870,328</u>

The Company has placed these funds in restricted bank accounts against Islamic finance receivables sold to the banks as required under certain securitization and agency agreements. This amount represents the maximum liability (against defaulted receivables, if any) of the Company according to the relevant securitization and agency agreements.

8.1-The movement in expected defaults in respect of margin deposits:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Opening balance	65,012,007	128,198,857
Reversed during the period / year	(9,510,194)	(63,230,787)
Written off during the period / year	-	43,937
	<u>55,501,813</u>	<u>65,012,007</u>

8.2-The movement in provision in respect of present value margin deposits:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Balance at beginning of the period / year	17,891,745	25,080,946
Reversed during the period / year	(8,097,592)	(7,189,201)
	<u>9,794,153</u>	<u>17,891,745</u>

9-Share Capital

The Company's subscribed and paid-up share capital of SR. 500,000,000 is divided into 50,000,000 equity shares of SR. 10 each fully subscribed and paid, and distributed among shareholders as follows:

	30 September 2020			31 December 2019
	Holding %	No. of Shares	Amount	Amount
Abdullatif Alissa Group Holding Company ("Parent Company")	99.80%	49,900,000	499,000,000	499,000,000
Gulf Development Company	0.20%	100,000	1,000,000	1,000,000
Total	%100	50,000,000	500,000,000	500,000,000

10-Other Payables and Accruals

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Collections against sold portfolio payable to bank	104,767,127	58,489,783
Insurance recoveries payable	13,276,931	11,975,077
Provision against staff leaves	11,965,475	8,441,948
Accrued salaries, wages and benefits	5,948,909	3,737,863
Unclaimed deposits	5,718,174	5,799,529
Director's meeting attendance fee payable	-	875,333
Other payables	12,483,524	1,109,179
	<u>154,160,140</u>	<u>90,428,712</u>

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11-Provision for Zakat

The movement in the provision for zakat is as follows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Balance at the beginning of the period / year	29,828,363	119,814,360
Provided during the period / year	9,704,715	3,226,987
Zakat reversal – prior period	-	(41,831,652)
Payment during the period / year	(3,327,260)	(51,381,332)
	36,205,818	29,828,363

Status of assessments

The Zakat returns for the years ended 2014 up to 2017 have been filed and demand has been raised by the General Authority of Zakat and Tax (“GAZT”) under the assessment of SR. 41,564,652 for the years 2014 up to 2017. During 2019, the Company paid SR 14,963,274 to GAZT and the remaining amount is payable in four years equal instalments from 1 December 2020.

The Company has filed the Zakat return with GAZT for the year 2018 and 2019. On March 28, 2020, the Company has obtained a certificate from the GAZT valid until 18 Ramadan 1442H corresponding to 30 April 2021.

12-Borrowings

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Short-term borrowings	359,239,653	66,620,500
Long-term borrowings	951,981,096	1,248,980,803
Modification gain on restructuring of Monsh’at loans, net	(6,260,196)	-
Modification gain on restructuring of other borrowings, net	(36,703,045)	-
Finance cost payable	20,737,435	4,051,073
	1,288,994,943	1,319,652,376
	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Current portion- Long-term borrowings	538,796,812	761,751,515
Non-current portion- Long-term borrowings	413,184,284	487,229,288
	951,981,096	1,248,980,803

The Company holds borrowings from a local bank for the purpose of financing working capital needs. These bank facilities bear finance costs at market prevailing rates. The Company has collateralized certain Islamic financing receivables in order to obtain these borrowings.

The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios.

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13-Impairment on Islamic Financing, net

	30 September 2020	30 September 2019
	(Unaudited)	(Unaudited)
Provision for impairment losses on net Investment in Islamic Financing	168,197,753	(26,541,979)
Gain on sale of net Investment in Islamic Financing	(90,015,167)	-
Written off financing receivables recovered / reinstated	(120,777)	(11,105,742)
	<u>78,061,809</u>	<u>(37,647,721)</u>

14-Fair Values of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The Company's financial assets consist of cash and cash equivalents, investment, margin deposits, due from related parties and other receivables, its financial liabilities consist of trade payables, borrowings, net servicing liability for securitized receivables due to related party and other liabilities.

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

All financial assets and liabilities are measured at amortized cost except investment carried at FVOCI. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

30 September 2020 (Unaudited)	Fair value			
	Level 1	Level 2	Level 3	Total
Financial asset				
FVOCI designated				
Investment carried at FVOCI	-	-	892,875	892,875
31 December 2019 (Audited)				
Financial asset				
FVOCI designated				
Investment carried at FVOCI	-	-	892,875	892,875

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15-Impact of Covid-19 on Expected Credit Losses (“ECL”) and Saudi Central Bank (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.

The prevailing economic conditions do require the Company to continue to revise certain inputs and assumptions used for the determination of expected credit losses (“ECL”). These primarily involves adjusting macroeconomic factors used by the Company in the estimation of ECL and haircut percentages applied to facilities with real estate as collateral were also revised as at March 31, 2020 and more haircuts were applied when compared with December 31, 2019. As the situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. The Company has therefore recognised overlays of SR 18.1 million as at 30 September 2020. The Company will continue to reassess as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

Saudi Central Bank (SAMA) programs and initiatives launched

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to the SME sector through empowering and facilitating the financing community. The PSFSP mainly encompasses the following programs:

- Deferred payments program; and
- Funding for lending program.

As part of the deferred payments program, the Company is required to defer payments for six months starting from March 14, 2020 on lending facilities to those borrowers that qualify as Micro Small and Medium Enterprises (MSME) as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H and classified in Bucket 1 (i.e. from 0 to 30 days overdue). In May 2020, SAMA notified to defer all payments due from Stage (2) eligible MSME customers, i.e. classified in Bucket 2 (from 31 to 60 days overdue) and/or Bucket 3 (from 61 to 90 days overdue) that are currently servicing their loans. Similarly, the Company is also required to defer payments for 12 months on lending facilities funded through Monsha’at loans to those borrowers that qualify as MSME. As a compensation, the Company has received deferment of repayments on its Monsha’at loans from the Social Development Bank for a period of 12 months starting from April 1, 2020. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Company has affected the payment reliefs by extending the tenure of the applicable financing granted with no additional costs to be borne by its customers. The accounting impact of these changes in terms of the credit facilities and restructuring of Monsah’at loans has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This has resulted in the Company recognizing a day 1 modification loss of SR 18.5 million as at April 01, 2020 with respect to changes in terms of credit facilities and a gain of SR 6.2 million with respect to restructuring of Monsah’at loans and this has been presented in the interim condensed statement of income and comprehensive income. In the absence of other factors, participation in the PSFSP by any customer is not considered a significant increase in credit risk.

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15-Impact of covid-19 on expected credit losses (“ECL”) and Saudi Central Bank (SAMA) programs (continued)

Further to the above, on September 01, 2020, SAMA extended the deferred payments program by allowing additional three months payment deferrals for eligible MSMEs until 14 December 2020. The Company has affected the payment reliefs by extending the tenure and deferring the instalments falling due within the period from September 15, 2020 to December 14, 2020 for a period of additional 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 the arrangement. This resulted in the Company recognizing an additional modification loss of SR 2.6 million during the period ended 30 September 2020.

In order to offset the modification loss which the Company is expected to incur in deferring the payments, SAMA communicated to the Company that the deferment of six months period on due installments on borrowings from banks will be granted and interest free deposit will not be provided to the Company by SAMA. The benefit on the deferment resulted in a day 1 gain of SR 36.7 million recognized during the period ended September 30, 2020. During the nine months period ended 30 September 2020, SR 10.2 million has been charged to the interim statement of income relating to unwinding.

The net impact on the interim statement of income and comprehensive income of the grant income, restructuring impact of financings and borrowings is as follows:

	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Modification loss on restructuring of Islamic financings	(21,233,455)	-
Modification gain on restructuring of Monsh’at loans	6,260,196	-
Modification gain on restructuring of borrowings	36,703,045	-
	21,729,786	-

Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of concentrations at granular economic sector, region, counterparty level including consideration of impacts of government and SAMA support, collateral protection and timely review. In respect of retail portfolio these include close monitoring of mix of loan types, employer concentrations, the trends in unemployment and the projected levels, collateral, delinquencies and timing of government support. All such measures are discussed and approved by the Risk Committee.

Liquidity risk management

The Company is aware of the need to keep a close focus on liquidity management during this period and has enhanced its daily monitoring of liquidity as well as increasing the number of management meetings. The Company acknowledges the timely action of SAMA and other government bodies in providing support and assurance to the financial markets.

Operational risk management

The Company responded quickly to the crisis and established an internal group to focus on the impacts of the pandemic and the effects on the Company. Furthermore, it put in place contingency plans allowing a significant proportion of employees to work from home. Employees considered essential to the operations of the Company were always permitted to visit the Company’s offices on a restricted basis whilst following government guidelines.

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16-Comparative figures

Certain comparative figures have been reclassified, wherever necessary, to conform with the current period presentation.

17-Date of authorisation for issue

These interim condensed financial statements were approved and authorized for issue on December 24,2020 by the Board of Directors of the Company.