

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2020
(UNAUDITED)

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD
ENDED 31 MARCH 2020 (UNAUDITED)

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF IJARAH FINANCE COMPANY (A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Ijarah Finance Company (the "Company") as of 31 March 2020 and the related interim statement of comprehensive (loss) / income, the interim statement of changes in equity and interim statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

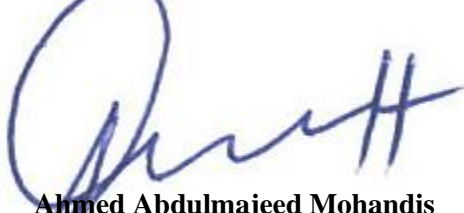
SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed 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 is not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.



Ahmed Abdulmajeed Mohandis
Certified Public Accountant
License No. 477



21 Ramadan 1441H
14 May 2020G
Riyadh, Kingdom of Saudi Arabia

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 March 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Cash and cash equivalents		16,941,940	23,170,133
Prepayments and other receivables		54,787,031	54,367,962
Profit-only strips receivables		53,004,999	61,260,877
Net investment in Ijarah financing	6	205,225,103	171,975,310
Net servicing asset for factorized receivables		7,417,990	5,775,258
Margin deposits – restricted	7	51,782,394	48,222,186
Investment carried at FVOCI		892,850	892,850
Property and equipment		3,756,460	3,386,881
Intangible assets		3,899,726	4,194,994
Right-of-use assets		5,087,641	5,013,029
TOTAL ASSETS		402,796,134	378,259,480
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	100,000,000	100,000,000
Additional contribution	14	100,000,000	-
Statutory reserve		1,686,892	1,686,892
Accumulated losses		(15,641,437)	(15,522,180)
TOTAL EQUITY		186,045,455	86,164,712
LIABILITIES			
Due to related parties	5,14	42,835,997	141,906,244
Other payables and accruals		41,667,893	44,268,800
Lease Liabilities		4,781,588	4,433,692
Net servicing liability for factorized receivables		25,217,737	21,707,210
Provision for zakat	9	502,283	446,039
Borrowings	10	100,333,810	77,978,066
Employees' post-employment benefits		1,411,371	1,354,717
TOTAL LIABILITIES		216,750,679	292,094,768
TOTAL EQUITY AND LIABILITIES		402,796,134	378,259,480

The accompanying notes 1 to 16 form part of these interim condensed financial statements.

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF COMPREHENSIVE (LOSS)/INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 March 2020 (Unaudited)	31 March 2019 (Unaudited) (Restated)
INCOME FROM IJARAH FINANCING, NET		12,089,157	8,703,913
OPERATING (EXPENSES) / INCOME			
Finance cost		(1,149,435)	(924,568)
General and administrative expenses		(12,344,826)	(9,480,863)
Selling and marketing expenses		(245,645)	(399,323)
(Charge)/reversal of Impairment on Ijarah financing, net	6.1	(873,655)	1,106,817
Other income		2,461,391	2,371,176
NET (LOSS)/ INCOME BEFORE ZAKAT		(63,013)	1,377,152
Zakat		(56,244)	(137,715)
NET (LOSS)/ INCOME FOR THE PERIOD		(119,257)	1,239,437
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		(119,257)	1,239,437

The accompanying notes 1 to 16 form part of these interim condensed financial statements.

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020
(All amounts in Saudi Riyals unless otherwise stated)

<u>31 March 2019</u>	Note	Share capital	Additional contribution	Statutory reserve	Accumulated Losses	Total equity
Balance as at 1 January 2019 (Audited)		100,000,000	-	1,308,730	(21,975,584)	79,333,146
Comprehensive income for the period – restated		-	-	-	1,239,437	1,239,437
Balance as at 31 March 2019 (Unaudited) – restated		<u>100,000,000</u>	<u>-</u>	<u>1,308,730</u>	<u>(20,736,147)</u>	<u>80,572,583</u>
 <u>31 March 2020</u>						
Balance as at 1 January 2020 (Audited)		100,000,000	-	1,686,892	(15,522,180)	86,164,712
Comprehensive loss for the period		-	-	-	(119,257)	(119,257)
Additional contribution	14	-	100,000,000	-	-	100,000,000
Balance as at 31 March 2020 (Unaudited)		<u>100,000,000</u>	<u>100,000,000</u>	<u>1,686,892</u>	<u>(15,641,437)</u>	<u>186,045,455</u>

The accompanying notes 1 to 16 form part of these interim condensed financial statements.

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020
(All amounts in Saudi Riyals unless otherwise stated)

	31 March 2020	31 March 2019
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating (loss)/income before zakat	(63,013)	1,377,152
Adjustments for:		
Depreciation right of use asset	286,490	264,759
Depreciation of property and equipment	388,204	343,255
Amortization of intangibles	313,636	256,865
Provision against expected defaults in respect of factorized receivables	136,422	219,808
Provision in respect of fair value of margin deposits	154,545	84,549
Impairment on profit-only strips receivables	1,227,807	1,978,275
Interest expense on lease liability	66,794	79,133
Charge/(Reversal) of impairment on Ijarah financing, net	873,655	(1,106,817)
Finance cost on borrowings	1,082,641	845,435
Employees' post-employment benefits	80,838	111,659
	4,548,019	4,454,073
(Increase) / decrease in operating assets		
Prepayments and other receivables	(419,069)	(21,758,586)
Profit-only strips receivables	7,028,071	(123,158)
Net investment in Ijarah financing	(34,123,448)	(21,322,213)
Net servicing asset for factorized receivables	(1,642,732)	594,591
Margin deposits – restricted	(3,851,175)	(3,173,572)
	(33,008,353)	(45,782,938)
(Decrease)/increase in operating liabilities		
Other payables and accruals	(2,600,907)	7,667,674
Due to related parties	929,753	2,372,522
Net servicing liability for factorized receivables	3,510,527	159,640
Cash used in operations	(26,620,961)	(31,129,029)
Employees' post-employment benefits paid	(24,184)	(94,327)
Net cash used in operating activities	(26,645,145)	(31,223,356)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(757,783)	(169,040)
Purchase of intangible assets	(18,368)	(205,988)
Proceeds from the sale of property and equipment	-	192,885
Net cash used in investing activities	(776,151)	(182,143)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	65,238,778	75,000,000
Repayment from borrowings	(43,238,778)	(28,706,575)
Finance cost on borrowings paid	(726,897)	(317,402)
Lease liabilities paid	(80,000)	-
Net cash generated from financing activities	21,193,103	45,976,023
Net (decrease) increase in cash and cash equivalents	(6,228,193)	14,570,524
Cash and cash equivalents at beginning of the period	23,170,133	10,890,537
Cash and cash equivalents at end of the period	16,941,940	25,461,061
Supplemental non-cash information		
Transfer from due to related party to additional contribution	100,000,000	-

The accompanying notes 1 to 16 form part of these interim condensed financial statements.

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020
(All amounts in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND OPERATIONS

Ijarah Finance Company (the “Company”) is a Single Person Saudi Closed Joint Stock Company (earlier a Saudi Closed Joint Stock Company) established under the Regulations for Companies in the Kingdom of Saudi Arabia having commercial registration number 1010341079 dated 15 Rajab 1433H (corresponding to 5 June 2012G). On 16 Thul-Qidah 1436H (corresponding to 31 August 2015G), the Company received a license from the Saudi Arabian Monetary Agency (“SAMA”) to conduct lease financing business in the Kingdom of Saudi Arabia. The Finance Companies Control Law was issued by the Saudi Council of Ministers through its publication No. 259 dated 12 Shabaan 1433H (corresponding to 2 July 2012) and the Royal Decree No. 51 dated 13 Shaban 1433H (corresponding to 3 July 2012) and their implementing regulations were issued by SAMA for conducting lease financing business in the Kingdom of Saudi Arabia.

The objective of the Company is to engage in finance leasing of all kinds of vehicles.

The Company’s Head Office is located at the following address:

Ijarah Leasing and Financing Company
Ibn Kathir Street
P.O. Box 6337
Riyadh 1442
Kingdom of Saudi Arabia

The Company has the following branches

S. No	Branch	C.R. No.	Date
1	Riyadh	1010341079	15 Rajab 1433
2	Riyadh	1010430509	27 Rabi' al Thani 1436
3	Dammam	2050112259	8 Rajab 1438
4	Jeddah	4030298775	22 Rabi' al Thani 1439
5	Madinah	4650204565	11 Rabi' al Awwal 1440
6	Riyadh	1010594521	11 Muharram 1441
7	Tabuk	3550130314	11 Muharram 1441
8	Alhafar	2511116455	30 Rajab 1441
9	Burayda	1131305294	30 Rajab 1441

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

The interim condensed financial statements of the Company as at and for the three months period ended 31 March 2020 have been prepared in accordance with the International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

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 annual financial statements as at 31 December 2019.

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

IJARAH FINANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020
(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.1. STATEMENT OF COMPLIANCE (CONTINUED)

On 18 July 2019, SAMA instructed the finance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes 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.

Accordingly, during 2019, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” and the effects of this change are disclosed in note 13 to the interim condensed financial statements.

The results for the three-month period ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

2.2. BASIS OF MEASUREMENT

These interim condensed financial statements are prepared under the historical cost method except for the investments carried at fair value.

2.3. 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 SR has been rounded to the nearest SR, unless otherwise mentioned.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The outbreak of novel coronavirus (“COVID-19”) since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Company's management to revisit its significant judgments in applying the Company's accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company's management carried out an impact assessment on the overall Company's operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and concluded that, as of the issuance date of these interim condensed financial statements, no significant changes are required to the judgments and key estimates. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

The accounting estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019.

IJARAH FINANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020
(All amounts in Saudi Riyals unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES

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

As mentioned below, the accounting policy previously applied in the preparation of interim condensed financial statements for the 31 March 2019 has been changed in particular for zakat and income tax.

Change in the accounting for zakat and income tax

As mentioned above, the basis of preparation has been changed for the period ended 31 March 2019 as a result of the issuance of latest instructions from SAMA dated 18 July 2019. The Company has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of the above change are disclosed in note 13 to the interim condensed financial statements. The change has resulted in decrease of reported income of SR 137,715, by the Company for the period ended 31 March 2019. The change had no impact on the interim condensed statement of cashflow for the period ended 31 March 2019.

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

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

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

Amendments to IAS 1 and IAS 8: Definition of Material

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

IJARAH FINANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020
(All amounts in Saudi Riyals unless otherwise stated)

5. RELATED PARTY TRANSACTIONS AND BALANCES

<u>Transactions during the period</u>			For the three-month period ended	
Names of Related Parties	Nature of Relationship	Nature of transactions	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
Afras Trading & Contracting Company	Affiliate	Outsourcing services	3,681,646	2,250,845
EKAL Human Resource Company	Affiliate	Outsourcing services	6,200	8,700
Saudi Financial Lease registry	Affiliate	Contract Registry	2,620	-

	For the three-month period ended	
	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
<u>Key management personnel</u>		
Salaries and other short-term employee benefits	585,450	499,963
Post-employment benefits and other long-term benefits	25,455	21,738

Balances as at the period-end

	Note	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Due to related parties			
Omer Saud Alblehed	14	28,000,000	128,000,000
Afras Trading & Contracting Company		14,531,552	13,598,725
National Leasing Company		301,190	307,519
EKAL Human Resource Company		3,255	-
		<u>42,835,997</u>	<u>141,906,244</u>

6. NET INVESTMENT IN IJARAH FINANCING

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Gross investment in Ijarah financing	316,174,400	267,041,303
Unearned / Deferred Ijarah financing income	(104,695,473)	(89,685,824)
	<u>211,478,927</u>	<u>177,355,479</u>
Less: Impairment on Ijarah financing	(6,253,824)	(5,380,169)
Net investment in Ijarah financing	<u>205,225,103</u>	<u>171,975,310</u>

6.1. The movement in the provision for impairment of Ijarah financing during the period is as follows:

	For the three-month period ended 31 March 2020 (Unaudited)	For the year ended 31 December 2019 (Audited)
Balance at beginning of the period / year	5,380,169	5,705,883
Provided/(Reversal) during the period / year	873,655	(325,714)
Balance at the end of the period / year	<u>6,253,824</u>	<u>5,380,169</u>

IJARAH FINANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

7. MARGIN DEPOSITS-RESTRICTED

Margin deposits with banks, net as of 31 March comprises of the followings:

	31 March 2020 (Unaudited)		
	Current	Non-Current	Total
Margin deposits with banks	5,006,725	58,423,651	63,430,376
Less: Provision against expected defaults in respect of factorized receivables	(175,560)	(2,048,612)	(2,224,172)
Less: Provision in respect of present value of margin deposits	(199,650)	(9,224,160)	(9,423,810)
As at 31 March 2020	4,631,515	47,150,879	51,782,394

	31 December 2019 (Audited)		
	Current	Non-Current	Total
Margin deposits with banks	5,006,725	54,572,476	59,579,201
Less: Provision against expected defaults in respect of factorized receivables	(175,444)	(1,912,306)	(2,087,750)
Less: Provision in respect of present value of margin deposits	(271,761)	(8,997,504)	(9,269,265)
As at 31 December 2019	4,559,520	43,662,666	48,222,186

8. SHARE CAPITAL

The Company's subscribed and paid-in share capital of SR. 100,000,000 is divided into 10,000,000 equity shares of SR.10 each fully owned by Watad Holding Company.

9. PROVISION FOR ZAKAT

The movement in the provision for zakat is as follows:

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Balance at the beginning of the period / year	446,039	537,215
Provided during the period / year	56,244	761,233
Adjusted during the period / year	-	(852,409)
Balance at the end of the period / year	502,283	446,039

STATUS OF ASSESSMENTS

The GAZT has provided settlement assessment to the Company on 6 February 2019 for the years from 2015 to 2017 based on the methodology of 10% zakat, calculated on the net income before zakat. This resulted in a receivable in favor of the Company amounting to Saudi Riyal 3.8 million. Accordingly, the zakat charge for 31 March 2020 and 31 December 2019 is calculated on the basis of settlement assessment accepted by the Company. The Company has adjusted the last year zakat payable from the balance receivable from GAZT after obtaining the approval.

The Company submitted its Zakat declaration to GAZT for the year ended 31 December 2018 and has obtained the certificate valid until 18 Ramadan 1442H corresponding to 30 April 2021. The Company in process to submit its Zakat declaration to GAZT for the year ended 31 December 2019.

IJARAH FINANCE COMPANY
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(All amounts in Saudi Riyals unless otherwise stated)

10. BORROWINGS

	Note	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Short-term borrowings principle portion	10.1	99,238,778	77,238,778
Accrued interest		1,095,032	739,288
		<u>100,333,810</u>	<u>77,978,066</u>

10.1. The Company obtained short – term borrowing facility amounting to SR 100 million from a local bank for the purpose of financing the working capital needs. The bank facility bears profit at market prevailing rates.

11. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

11.1 Fair value measurement of financial assets and liabilities

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 (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets consist of cash and bank balances, investment, net investment in Ijarah financing, and other receivables, its financial liabilities consist of borrowings, due to related party and other liabilities.

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

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(All amounts in Saudi Riyals unless otherwise stated)

11. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES(CONTINUED)

11.1 Fair value measurement of financial assets and liabilities (Continued)

	Fair Value			Total
	Level			
	1	2	3	
<u>31 March 2020 (Unaudited)</u>				
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850
	Fair Value			
	Level			
	1	2	3	Total
<u>31 December 2019 (Audited)</u>				
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850

The above financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined:

Financial assets / financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
Investment carried at FVOCI	Cost	N/A	N/A

12. SUBSEQUENT EVENTS

There have been no significant subsequent events since the period-ended that would require additional disclosure or adjustment in these interim condensed financial statements (see Note 15).

13. RESTATEMENT / RECLASSIFICATION FOR PRIOR PERIODS FIGURES

Certain comparative information has been reclassified to conform to the current period presentation. As disclosed in the Company's annual financial statement for the year ended 31 December 2019, the Company changed its accounting policy to recognize zakat within the statement of comprehensive income. Previously, zakat was charged to statement of changes in equity.

Impact on the interim statement of comprehensive income

	For the three-month period ended 31 March 2019
Net income for the period	1,377,152
Zakat	(137,715)
Adjusted net income for the period	1,239,437

14. ADDITIONAL CONTRIBUTION

During the period, the Company has transferred SR 100 million from due to a related party to additional contribution in equity based on the SAMA non-objection letter received by the Company. However, the legal formality has to be completed after which the aforementioned amount will be transferred to share capital of the Company.

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(A Single Person Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020
(All amounts in Saudi Riyals unless otherwise stated)

15. IMPACT OF COVID-19 ON ECL

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

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by production volumes which had predated the pandemic. For the Company, whose operations are largely concentrated in an economy which is primarily based on oil, the economic impacts of the above events, though the scale and duration of which remains uncertain, primarily include:

- Significant business interruption arising from hinderance in generating new originations, travel restrictions and unavailability of personnel, etc.;
- Potential deterioration in credit worthiness of customers, in particular to those working or involved in ‘highly exposed sectors’ such as transportation, tourism, hospitality, entertainment, construction and retail; and
- A significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a general decline in interest rates globally.

Collectively, these current events and the prevailing conditions require the Company to analyse the likely impact of these events on the Company’s business operations. The Board of Directors and the management of the Company have evaluated the current situation and accordingly, have activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance. Under the current situation, the scale and duration of this outbreak and its impact on credit, market and operational risks remain uncertain and the board of directors and management of the Company is continuously evaluating the evolving situation in liaison with the regulatory authorities and the related quantification of impact cannot be ascertained at this point.

16. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorized for issue on 14 May 2020G (corresponding to 21 Ramadan 1441H) by the Management of the Company.