

**TAMWEEL AI OULA COMPANY  
(SAUDI CLOSED JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED) AND AUDITOR'S REVIEW REPORT  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

TAMWEEL AI OULA COMPANY  
(SAUDI CLOSED JOINT STOCK COMPANY)

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INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND  
AUDITOR'S REVIEW REPORT  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON  
THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF  
TAMWEEL AL OULA COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**Introduction**

We have reviewed the accompanying interim condensed statement of financial position of Tamweel Al Oula Company (A Saudi Closed Joint Stock Company) ("the Company") as at 31 March 2020, and the related interim condensed statements of profit or loss and other comprehensive income, statements of changes in shareholders' equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim condensed 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 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 information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

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

for Ernst & Young

Marwan Al-Afaliq  
Certified Public Accountant  
Registration No. 422

21 Ramadan 1441H  
14 May 2020

Al Khobar



TAMWEEL AL OULA COMPANY  
(Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (UNAUDITED)

For the three-month period ended 31 March 2020

	Note	<i>Three-month period ended 31 March</i>	
		2020 SR	2019 SR (Restated)
<b>Revenue</b>			
Revenue from operations	5	11,323,928	9,921,396
Revenue from other activities		1,269,192	305,436
<b>TOTAL INCOME</b>		<b>12,593,120</b>	<b>10,226,832</b>
<b>EXPENSES</b>			
Finance costs and bank charges		(1,488,591)	(674,699)
Insurance expenses for finance leasing activities		(1,209,045)	(1,016,430)
Salaries and employees' related expenses		(4,596,476)	(3,785,893)
Short-term lease		(32,250)	-
Depreciation and amortisation		(612,455)	(556,842)
Charge of expected credit loss on investment in Islamic finance receivables	6	(2,309,709)	-
Other general and administrative expenses		(1,702,767)	(1,659,666)
<b>TOTAL EXPENSES</b>		<b>(11,951,293)</b>	<b>(7,693,530)</b>
<b>PROFIT BEFORE ZAKAT</b>		<b>641,827</b>	<b>2,533,302</b>
Zakat	9	(132,370)	(506,660)
<b>PROFIT FOR THE PERIOD</b>		<b>509,457</b>	<b>2,026,642</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income for the period		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>509,457</b>	<b>2,026,642</b>

The attached notes 1 to 12 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY  
(Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2020

	<i>Note</i>	<b>31 March 2020 SR (Unaudited)</b>	<b>31 December 2019 SR (Audited)</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Net investment in Islamic finance receivables	6	<b>230,721,395</b>	215,740,786
Property and equipment		<b>1,037,406</b>	1,087,151
Right-of-use assets		<b>1,991,626</b>	2,303,353
Intangible assets		<b>2,133,273</b>	2,286,790
Equity investment at fair value through other comprehensive income "OCI"		<b>892,850</b>	892,850
<b>TOTAL NON-CURRENT ASSETS</b>		<b>236,776,550</b>	222,310,930
<b>CURRENT ASSETS</b>			
Current portion of net investment in Islamic finance receivables	6	<b>196,346,590</b>	176,305,779
Prepayments and other receivables		<b>75,259,534</b>	4,405,724
Cash and cash equivalents		<b>29,216,930</b>	13,715,010
<b>TOTAL CURRENT ASSETS</b>		<b>300,823,054</b>	194,426,513
<b>TOTAL ASSETS</b>		<b>537,599,604</b>	416,737,443
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		<b>250,000,000</b>	250,000,000
Statutory reserve		<b>6,554,603</b>	6,554,603
Retained earnings		<b>14,983,792</b>	14,474,335
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>271,538,395</b>	271,028,938
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	7	<b>110,700,313</b>	37,030,649
Government grant	7	<b>3,565,319</b>	3,627,049
Lease liabilities		<b>254,629</b>	445,160
Employees' defined benefits liabilities		<b>3,921,054</b>	3,767,769
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>118,441,315</b>	44,870,627
<b>CURRENT LIABILITIES</b>			
Accounts payable		<b>25,852,320</b>	13,960,939
Amounts due to related parties		<b>4,623,209</b>	12,226,669
Current portion of loans and borrowings	7	<b>109,368,055</b>	66,696,082
Current portion of lease liabilities		<b>1,318,780</b>	1,114,730
Accruals and other current liabilities		<b>5,334,741</b>	5,849,040
Provision for zakat	9	<b>1,122,789</b>	990,418
<b>TOTAL CURRENT LIABILITIES</b>		<b>147,619,894</b>	100,837,878
<b>TOTAL LIABILITIES</b>		<b>266,061,209</b>	145,708,505
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>537,599,604</b>	416,737,443

The attached notes 1 to 12 form part of these interim condensed financial statements.

TAMWHEEL AL OULA COMPANY  
(Saudi Closed Joint Stock Company)

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

For the three-month period ended 31 March 2020

	<i>Share capital</i> <i>SR</i>	<i>Statutory</i> <i>reserve</i> <i>SR</i>	<i>Retained</i> <i>earnings</i> <i>SR</i>	<i>Total</i> <i>SR</i>
As at 1 January 2019 (audited)	250,000,000	5,692,086	20,546,753	276,238,839
Profit for the period	-	-	2,026,642	2,026,642
Other comprehensive loss for the period	-	-	-	-
Total comprehensive income for the period	-	-	2,026,642	2,026,642
<b>As at 31 March 2019 (unaudited)</b>	<b>250,000,000</b>	<b>5,692,086</b>	<b>22,573,395</b>	<b>278,265,481</b>
As at 1 January 2020 (audited)	250,000,000	6,554,603	14,474,335	271,028,938
Profit for the year	-	-	509,457	509,457
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	509,457	509,457
<b>Balance at 31 March 2020 (unaudited)</b>	<b>250,000,000</b>	<b>6,554,603</b>	<b>14,983,792</b>	<b>271,538,395</b>

The attached notes 1 to 12 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY  
(Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2020

	<i>Three-month period ended 31 March</i>	
	<i>2020</i>	<i>2018</i>
	<i>SR</i>	<i>SR</i>
<b>OPERATING ACTIVITIES</b>		
Profit before zakat	641,827	2,533,302
Adjustments for:		
Depreciation and amortisation	612,455	556,842
Finance costs and bank charges	1,488,591	674,699
Employees' defined benefits liabilities, charged	171,520	139,364
Charge of expected credit loss on investment in Islamic finance receivables	2,309,709	-
Loss on modification of net investment in Islamic finance lease	4,040,396	-
Modification gain on deferment of SAMA deferred payments program	(3,516,303)	-
Grant income realised	(707,298)	(193,710)
	<u>5,040,897</u>	<u>3,710,497</u>
Changes in operating assets and liabilities:		
Net investment in Islamic finance receivables	(41,371,525)	10,915,838
Prepayments and other receivables	(203,810)	(120,204)
Amounts due to related parties	(7,603,460)	1,860,245
Accounts payable	11,891,381	1,769,979
Accruals and other current liabilities	(514,299)	2,270,199
Cash (use in) / from operations	<u>(32,760,816)</u>	<u>20,406,554</u>
Employees' defined benefits liabilities, paid	(18,235)	(75,203)
Finance costs and bank charges paid	(760,454)	(403,535)
Net cash (use in) / from operating activities	<u>(33,539,505)</u>	<u>19,927,816</u>
<b>INVESTING ACTIVITY</b>		
Purchase of property and equipment	(97,465)	(46,878)
Net cash used in investing activity	<u>(97,465)</u>	<u>(46,878)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from loans and borrowings	59,000,000	35,040,000
Repayment of loans and borrowings	(9,861,110)	(22,382,759)
Payment of lease liabilities	-	(738,716)
Net cash from financing activities	<u>49,138,890</u>	<u>11,918,525</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>15,501,920</b>	<b>31,799,463</b>
Cash and cash equivalents at the beginning of the period	<u>13,715,010</u>	<u>33,355,767</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>29,216,930</b>	<b>65,155,230</b>
<b>Significant non-cash transaction:</b>		
SAMA deferred payments program (note 10) classified under prepayments and other receivables	<u>70,650,000</u>	<u>-</u>

The attached notes 1 to 12 form part of these interim condensed financial statements.

# TAMWEEL AL OULA COMPANY

## (Saudi Closed Joint Stock Company)

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 31 March 2020

#### 1 CORPORATE INFORMATION

Tamweel Al Oula Company ("the Company"), is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050055043 dated 15 Ramadan 1436H (corresponding to 2 July 2015) operating under license number 39/ASH/201512 dated 21 Safar 1437H (corresponding to 3 December 2015) issued by Saudi Arabian Monetary Agency ("SAMA").

The Company's registered office is located at PO 34232, Dammam, Kingdom of Saudi Arabia. The Company operates through the following branches:

<i>Commercial Registration Name</i>	<i>Number</i>	<i>Location</i>	<i>Date</i>
Tamweel Al Oula - Branch	2051065442	Al Khobar	17/04/1493H
Tamweel Al Oula - Branch	2252101795	Al Hasa	02/06/1439H

The Company is engaged in financing lease, consumer finance and productive assets finance.

The financial statements of the Company as of 31 March 2020 were authorised for issuance on 14 May 2020 (corresponding to 21 Ramadan 1441H).

In accordance with the By-Laws of the Company, the Company acquired the operations, related assets and liabilities of Tamweel Trading and Instalments, a branch of Al Kifah Trading Company (a shareholder), as at 2 July 2015. The details of net assets acquired as follows:

	SR
Cash and cash equivalents	16,866,415
Net investment in Islamic finance receivables	463,387,079
Allowance for lease losses	(8,892,725)
Advances, prepayments and other receivables	3,069,010
Property and equipment	3,045,610
Intangible assets	45,189
Pre-organisation expenses	2,362,716
Capital work in progress	3,112,500
<b>Total assets</b>	<b>482,995,794</b>
Long term loans from related parties	(303,829,810)
Accounts payable	(36,284,233)
Accrued expenses and other liabilities	(4,743,372)
Employees' terminal benefits	(1,105,110)
<b>Total liabilities</b>	<b>(345,962,525)</b>
<b>Net assets transferred</b>	<b>137,033,269</b>

Cash considerations paid by the Company is equal to the book value of net assets transferred, which approximate the fair value.

Furthermore, in October 2015, the Company has disposed certain financial assets (investment in finance lease) to Al Kifah Trading Company (a shareholder) amounted to SR 66.8 million. Lease receivables and related unearned finance lease income transferred were amounted to SR 71.5 million and SR 4.7 million, respectively

Management has notified SAMA about these transaction in order to obtain a no-objection letter as required by Implementing Regulations of the Finance Companies Control Law which has not been received till the statement of financial position date.



TAMWEEL AL OULA COMPANY  
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS(UNAUDITED)  
(CONTINUED)

At 31 March 2020

**2 BASIS OF PREPARATION**

The interim condensed financial statements of the Company as at and for the three-month period ended 31 March 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). The 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 financial statements of the Company as at and for the period and year ended 31 March 2019 were prepared in compliance with the IAS 34 and the International Financial Reporting Standards (“IFRS”) respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – “Income Taxes” and IFRIC 21 – “Levies” so far as these relate to zakat and income tax) and the Finance Companies Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. The Company has adopted IAS 12 from the interim condensed financial statements for the three-month period ended 31 March 2019.

On 17 July 2019, SAMA instructed the Companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (“IASB”) and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors ( the effects of this change are disclosed in note 3 to the interim condensed financial statements).

**2.1 Basis of measurement**

These interim condensed financial statements have prepared on historical cost basis, except for employees’ defined benefits liabilities measured using actuarial method and fair value for equity investments.

**2.2 Presentation and functional currency**

The presentation and functional currency of the Company is Saudi Riyal.

**3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

The Company has not early adopted any new standard, interpretation or amendment that have been issued but which are not yet effective. The nature and the impacts are elaborated below:

**Change in accounting for zakat and income tax**

As mentioned above, the basis of preparation has been changed from the period ended 30 June 2019 as a result of the issuance of instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the interim condensed statement of changes in shareholders’ equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax shall be recognized in the interim condensed statement of profit or loss, this aligns with IFRS as endorsed in KSA.

The change has resulted in reduction of reported profit or loss of the Company for the period ended 31 March 2019 by SR 506,660. The changes has had no impact on the interim condensed statements of financial position, change in shareholders’ equity and cash flows for the period ended 31 March 2020.

Refer to note 9 for the impact on the line items of the interim condensed statement of profit or loss and other comprehensive income and interim condensed statement of change in shareholders’ equity.

In March 2019, new Zakat Regulations were issued by GAZT under resolution No. 2215 dated 7/7/1440 (14 March 2019) (the “Zakat Regulations”) which provided a new basis for calculation of Zakat for companies engaged in financing activities.

TAMWEEL AL OULA COMPANY  
(Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS(UNAUDITED)  
(CONTINUED)

At 31 March 2020

**3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)**

**Change in accounting for zakat and income tax (continued)**

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax (“GAZT”) applicable on financing companies. Zakat expense is charged to the profit or loss. The charge for the period is calculated based on estimated zakat charge for the whole year.

The Zakat base computed in accordance with the formula specified in the Zakat Regulations is also subject to thresholds for minimum and maximum liability.

**4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Company’s interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Except for the impact as stated below, 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.

**Novel coronavirus (“COVID-19”)**

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, 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.

**5 REVENUE FROM OPERATIONS**

	<i>Three-month period ended 31 March 2020</i>	<i>Three-month period ended 31 March 2019</i>
	<i>SR</i>	<i>SR</i>
Lease income (see below 5.1)	<b>8,615,349</b>	9,361,513
Tawaruq revenues	<b>2,296,268</b>	27,082
Fees revenue	<b>370,820</b>	500,421
Others	<b>41,491</b>	32,380
	<b>11,323,928</b>	9,921,396

5.1 Lease income for the period is recorded net of loss on modification of net investment in finance lease amounting to SR 4 million and modification gain amounting to SR 3.6 million on deferment disclosed in note 10 (Three-month period ended 31 March 2019: SR nil).

All of the Company’s revenues are generated in the Kingdom of Saudi Arabia. Revenues are recognised at over time.

TAMWEEL AL OULA COMPANY  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS(UNAUDITED)  
(CONTINUED)

At 31 March 2020

**6 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES**

	<i>31 March 2020 (Unaudited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Gross investment in Islamic finance receivables	<b>553,336,121</b>	493,748,184
Less: unearned finance income (see below 6.1)	<b>(108,496,585)</b>	(86,239,777)
<b>Investment in Islamic finance receivables (before allowance for expected credit loss on Islamic finance receivables)</b>	<b>444,839,536</b>	407,508,407
Less: allowance for expected credit loss on Islamic finance receivables	<b>(17,771,551)</b>	(15,461,842)
<b>Net investment in Islamic finance receivables</b>	<b>427,067,985</b>	<b>392,046,565</b>

6.1 Unearned finance income as at 31 March 2020 includes loss on modification of net investment in finance lease (note 10) amounting to SR 4 million (31 December 2019: SR nil).

Investment in Islamic finance leases includes the following balances due from related parties:

<u>Related party</u>	<u>Relationship</u>	<i>31 March 2020 (Unaudited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Al Kifah Real Estate Company	Affiliate	<b>21,850,554</b>	23,240,398
Al Kifah Paper Products Company	Affiliate	<b>21,842,982</b>	23,217,963
Al Kifah Precast Company	Affiliate	<b>22,935,131</b>	23,217,963
Al Kifah Contracting Company	Shareholder	<b>15,360,085</b>	18,003,601
Al Kifah for Building Material Company	Shareholder	<b>16,524,583</b>	17,295,167

Related parties' transactions are disclosed under note 8.

The Company's implicit rate of return on investment in finance receivables is in market rate range. These are secured against assets and down payments. The Company's major activities for investment in finance receivables are vehicles and heavy equipment.

Investment in finance receivables include murabaha contracts amounting to SR 1.7 million (31 December 2019: SR 1.8 million) and Tawaruq contracts amounting to SR 85 million (31 December 2019: SR 82 million).

As at 31 March 2020, the contractual rights and the titles of certain assets subject to the financing arrangements are under the name of Al Kifah Trading Company (a shareholder) amounting to SR 13.94 million ( 31 December 2019: SR 17 million) of Islamic financing receivables. The shareholder waived rights over the assets and confirmed that the risks and rewards pertaining to the assets have been transferred to the Company.

TAMWEEL AL OULA COMPANY  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS(UNAUDITED)  
(CONTINUED)

At 31 March 2020

7 LOANS AND BORROWINGS

	SAMA deferred payments program (see below 7.1)	Social Development Bank financing (see below 7.2)	Tawaruq financing (see below 7.3)	31 March 2020 SR (Unaudited)	31 December 2019 SR (Audited)
Current portion	9,812,500	-	99,555,555	<b>109,368,055</b>	66,696,082
Non-current portion, gross	60,837,500	53,379,116	-	<b>114,216,616</b>	37,030,649
Less: Modification gain on deferment	(3,516,303)	-	-	<b>(3,516,303)</b>	-
Non-current portion, net	<b>57,321,197</b>	<b>53,379,116</b>	-	<b>110,700,313</b>	37,030,649

7.1 During the period, the Company has signed an agreement for SAMA deferred payments program amounted to SR 70.6 million which is an interest free loan (note 10). The Modification gain on deferment includes an amount of SR 3.5 million is recorded under revenue from operations in the statement of profit or loss. SAMA deferred payments program are carried at fair value using internal rate of return equivalent to the prevailing market rate.

7.2 The Company obtained long term loans from a government agent to finance the purchase of assets for leasing services for small and medium sized entities. During the period, the Company signed agreements with Social Development Bank to defer all due instalments from March 2020 to March 2021, therefore, the loans are presented under non-current liabilities. The loans agreements do not include any covenant to maintain financial ratios during the loans period. The loan are not subject to any interest charges; however the loans carry transactions costs which are amortised as part of the finance costs over the duration of the loans. Social Development Bank financing are carried at fair value using internal rate of return equivalent to the prevailing market rate. The difference between carrying value and face value as of initial recognition date, is treated as government grant, which is amortised over the duration of the related loans.

7.3 The Company obtained Tawaruq financing facility form a local commercial bank to finance the purchase of assets for leasing services, Tawaruq loans are repayable within a year from the reporting date were presented under current liabilities in these financial statements.is. Tawaruq loans carry financial charges at prevailing market borrowing costs plus SIBOR. These Tawaruq loans are secured by promissory notes issued by the shareholders. The Company is required to comply with certain covenants under the facility agreements which includes maintenance of certain leverage ratios. No breach of covenants during the period.

TAMWEEL AL OULA COMPANY  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS(UNAUDITED) (CONTINUED)

At 31 March 2020

**8 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent shareholders, directors and key management personnel of the Company and entities controlled or significantly influenced by such parties.

The following are the details of the major related party transactions occurred during the period and the resulting balances at the period/ year end:

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amounts of transactions</u>		<u>Balances</u>	
			<i>Three-month period ended 31 March</i>		<i>31 March</i>	<i>31 December</i>
			<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
			<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
					<i>(Unaudited)</i>	<i>(Audited)</i>
<b><u>Amounts due from related parties - (presented under net investment in Islamic finance receivables note 5):</u></b>						
Al Kifah Real Estate Company	Affiliate	Amount collected against Islamic financing receivables	<b>(1,659,722)</b>	-	<b>21,850,554</b>	23,240,398
Al Kifah Paper Products Company	Affiliate	Amount collected against Islamic financing receivables	<b>(1,761,806)</b>	-	<b>21,842,982</b>	23,217,963
Al Kifah Precast Company	Affiliate	Tawaruq Amount collected against Islamic financing receivables	<b>(1,638,889)</b>	-	<b>22,935,131</b>	23,217,963
Al Kifah Contracting Company	Shareholder	Amount collected against Islamic financing receivables	<b>(1,711,722)</b>	(1,659,722)	<b>15,360,085</b>	18,003,601
Al Kifah for Building Material Company	Shareholder	Amount collected against Islamic financing receivables	<b>(2,221,137)</b>	(2,777,164)	<b>16,524,583</b>	17,295,167
					<b>98,513,335</b>	104,975,092

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS(UNAUDITED) (CONTINUED)

At 31 March 2020

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amounts of transactions</u>		<u>Balances</u>	
			<i>Three-month period</i>		<i>31 March</i>	<i>31 December</i>
			<i>ended 31 March</i>		<i>2020</i>	<i>2019</i>
			<i>2020</i>	<i>2019</i>	<i>SR</i>	<i>SR</i>
			<i>2020</i>	<i>2019</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
<b><u>Amounts due to related parties - (presented under current liabilities):</u></b>						
Al Kifah Trading Company	Shareholder	Management fees received by the company	<b>(30,000)</b>	(30,000)		
		Refund of excess balance ,net	-	986,628	-	181,167
Al Kifah Holding Company	Shareholder	Value added tax paid on behalf of the Company	<b>1,065,342</b>	383,480		
		Zakat paid on behalf of the Company	-	(916,387)		
		Advertising expenses	-	55,498		
		Amount paid against advertising expenses	<b>124,934</b>	(86,780)		
		Services provided	-	63,963		
		Amounts paid against services	<b>109,855</b>	(367,625)	<b>681,502</b>	1,981,634
Al Kifah for Building Material Company	Shareholder	Heavy machinery and equipment sales financed by the Company	<b>10,466,633</b>	2,630,000		
		Amount paid against machinery and equipment financed	<b>(15,599,219)</b>	(788,370)	<b>3,505,151</b>	8,627,637
Al Kifah Information Technology	Affiliate	Information technology fee	-	297,467		
		Amount paid against Information technology fee	-	(520,029)	<b>202,582</b>	202,582
Al Kifah Real Estate Company	Affiliate	Amounts paid against rent	<b>(1,188,099)</b>	-		
		Services provided	<b>188,424</b>	152,400	<b>188,424</b>	1,188,099
Al Kifah Contracting Company	Shareholder				<b>45,550</b>	45,550
					<b>4,623,209</b>	12,226,669

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(CONTINUED)

At 31 March 2020

**8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

- Prices and terms of payments of the above transactions with related parties have been approved by Company's management.
- Compensation and remuneration (including salaries and other benefits) for key management personnel is disclosed as follows:

	<i>Three-month period ended 31 March 2020</i>	<i>Three-month period ended 31 March 2019</i>
	<i>SR</i>	<i>SR</i>
Short-term employee benefit	356,669	591,006
Post-employment benefits	41,134	41,388
	<u>397,803</u>	<u>632,394</u>

**9 ZAKAT**

In March 2019, new Zakat Regulations were issued by GAZT under resolution No. 2215 dated 7/7/1440 (14 March 2019) (the "Zakat Regulations") which provided a new basis for calculation of Zakat for companies engaged in financing activities.

The Zakat base computed in accordance with the formula specified in the Zakat Regulations is also subject to thresholds for minimum and maximum liability.

The change in the accounting treatment for zakat and income tax (as explained in note 3) has the following impact on the line items of the interim condensed statements of profit or loss and other comprehensive income:

Account	Before the restatement for the period ended 31 March 2019	Effect of restatement	As restated as at and for the period ended 31 March 2019:
Zakat expense	-	506,660	506,660

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

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

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The Company has evaluated the current situation through conducting stress testing scenarios on expected movements of oil prices and its impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the potential business disruption due to COVID-19 outbreak that may have on its operations and financial performance. The steps taken by management also include commencing review of credit exposure concentrations at a more granular level such as the economic sectors, regions, country, counterparty etc., collateral protection, timely review and customer credit rating actions and appropriately restructuring financings, where required. These also take into consideration the impacts of government and SAMA support relief programmes.

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(CONTINUED)

At 31 March 2020

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

The current events and the prevailing economic condition require the Company to revise certain inputs and assumptions used for the determination of expected credit losses (“ECL”). These would primarily revolve around either adjusting macroeconomic factors used by the Company in estimation of expected credit losses or revisions to the scenario probabilities currently being used by the Company in ECL estimation. The adjustments to macroeconomic factors and scenario weightings resulted in an additional ECL of SR 2.3 million for the Company. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgemental and the Company will continue to reassess its position and the related impact on a regular basis.

The Company has also recognised overlays of SR 61 million for MSME financing. These have been based on a sector-based analysis performed by the Company in cognizance of the impacted portfolios. The Company will continue to assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

**SAMA support programs and initiatives**

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to the Micro, Small and Medium Enterprises (“MSMEs”) as per Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

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

As part of the deferred payments program, the Company is required to defer payments for six months on lending 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 extending the tenure of the applicable financings granted with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and is treated as per the requirements of IFRS 9 as modification in terms of arrangement. This has resulted in the Company recognising a day 1 modification loss of SR 4 million on net investment in Islamic finance lease as at 31 March 2020, which has been presented as part of “revenue from operations” in the statement of profit or loss. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

Pursuant to SAMA deferred payments program, the Company under an agreement with SAMA, has recorded other receivable amounting to SR 70.6 million, as profit-free deposit, which has been collected subsequent to the period end. The amount is repayable to SAMA over the period of 3.5 years in equal monthly instalments, with initial grace period of 6 months. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total revenue from main operations of SR 3.5 million, which has been recognised in the interim condensed statement of profit or loss as at 31 March 2020 immediately (note 5). The management has exercised certain judgments in the recognition and measurement of this grant income.

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

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



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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS(UNAUDITED)  
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**11 COMPARATIVE FIGURES**

Certain prior period figures have been reclassified to conform to current period presentation, which are not material in nature.

**12 SUBSEQUENT EVENTS**

Except for the event mentioned in note 13, there have been no events subsequent to the reporting date that would significantly affect the amounts reported in the condensed interim financial statements as at and for the three-month period ended 31 March 2020.