

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

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND
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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 30 June 2020, and the related interim condensed statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the related interim condensed statements of changes in shareholders' equity and cash flows for the six-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



6 Dhu Al Hijjah 1441H
27 July 2020

Al Khobar

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

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

For the six-month period ended 30 June 2020

	Note	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
		2020 SR	2019 SR	2020 SR	2019 SR
Revenue					
Revenue from operations		9,507,233	9,592,905	20,831,161	19,514,300
Revenue from other activities		2,091,279	458,456	3,360,471	763,891
TOTAL INCOME		11,598,512	10,051,361	24,191,632	20,278,191
EXPENSES					
Finance costs and bank charges		(1,572,101)	(1,014,691)	(3,060,692)	(1,689,391)
Insurance expenses for finance leasing activities		(1,043,859)	(1,133,064)	(2,252,904)	(2,149,495)
Salaries and employees' related expenses		(4,253,403)	(4,569,737)	(8,849,879)	(8,355,630)
Short-term lease		(8,250)	-	(40,500)	-
Depreciation and amortisation		(607,347)	(588,906)	(1,219,802)	(1,145,747)
Charge of expected credit loss on investment in Islamic finance receivables	5	(943,798)	-	(3,253,507)	-
Other general and administrative expenses		(2,208,975)	(1,631,950)	(3,911,742)	(3,291,614)
TOTAL EXPENSES		(10,637,733)	(8,938,348)	(22,589,026)	(16,631,877)
PROFIT BEFORE ZAKAT		960,779	1,113,013	1,602,606	3,646,314
Zakat		(198,151)	(222,603)	(330,521)	(729,263)
PROFIT FOR THE PERIOD		762,628	890,410	1,272,085	2,917,051
OTHER COMPREHENSIVE INCOME					
Other comprehensive income for the period		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		762,628	890,410	1,272,085	2,917,051

The attached notes 1 to 9 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2020

	<i>Note</i>	30 June 2020 SR (Unaudited)	<i>31 December 2019 SR (Audited)</i>
ASSETS			
NON-CURRENT ASSETS			
Net investment in Islamic finance receivables	5	317,312,317	215,740,786
Property and equipment		977,154	1,087,151
Right-of-use assets		1,694,100	2,303,353
Intangible assets		1,979,755	2,286,790
Equity investment at fair value through other comprehensive income "OCI"		892,850	892,850
TOTAL NON-CURRENT ASSETS		322,856,176	222,310,930
CURRENT ASSETS			
Current portion of net investment in Islamic finance receivables	5	226,121,094	176,305,779
Prepayments and other receivables		24,950,796	4,405,724
Cash and cash equivalents		138,218,665	13,715,010
TOTAL CURRENT ASSETS		389,290,555	194,426,513
TOTAL ASSETS		712,146,731	416,737,443
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		250,000,000	250,000,000
Statutory reserve		6,554,603	6,554,603
Retained earnings		15,746,420	14,474,335
TOTAL SHAREHOLDERS' EQUITY		272,301,023	271,028,938
NON-CURRENT LIABILITIES			
Loans and borrowings	6	184,149,161	37,030,649
Government grant	6	10,251,963	3,627,049
Lease liabilities		267,499	445,160
Employees' defined benefits liabilities		3,935,699	3,767,769
TOTAL NON-CURRENT LIABILITIES		198,604,322	44,870,627
CURRENT LIABILITIES			
Accounts payable		83,268,764	13,960,939
Amounts due to related parties	7	1,325,221	12,226,669
Current portion of loans and borrowings	6	146,090,253	66,696,082
Current portion of lease liabilities		1,261,122	1,114,730
Accruals and other current liabilities		8,965,384	5,849,040
Provision for zakat		330,642	990,418
TOTAL CURRENT LIABILITIES		241,241,386	100,837,878
TOTAL LIABILITIES		439,845,708	145,708,505
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		712,146,731	416,737,443

The attached notes 1 to 9 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

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

For the six-month period ended 30 June 2020

	<i>Share capital</i> SR	<i>Statutory reserve</i> SR	<i>Retained earnings</i> SR	<i>Total</i> SR
As at 1 January 2019 (audited)	250,000,000	5,692,086	20,546,753	276,238,839
Profit for the period	-	-	2,917,051	2,917,051
Other comprehensive loss for the period	-	-	-	-
Total comprehensive income for the period	-	-	2,917,051	2,917,051
Dividends	-	-	(13,842,390)	(13,842,390)
As at 30 June 2019 (unaudited)	250,000,000	5,692,086	9,621,414	265,313,500
As at 1 January 2020 (audited)	250,000,000	6,554,603	14,474,335	271,028,938
Profit for the period	-	-	1,272,085	1,272,085
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	1,272,085	1,272,085
Balance at 30 June 2020 (unaudited)	250,000,000	6,554,603	15,746,420	272,301,023

The attached notes 1 to 9 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2020

	<i>Six-month period ended 30 June</i>	
	<i>2020</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
Profit before zakat	1,602,606	3,646,314
Adjustments for:		
Depreciation and amortisation	1,219,802	1,145,747
Finance costs and bank charges	3,060,692	1,689,391
Employees' defined benefits liabilities, charged	342,836	310,687
Charge of expected credit loss on investment in Islamic finance receivables	3,253,507	-
Loss on modification of net investment in Islamic finance lease	2,007,221	-
Modification gain on deferment of SAMA deferred payments program	(3,568,972)	-
Grant income realised	(2,083,504)	(530,154)
	<u>5,834,188</u>	<u>6,261,985</u>
Changes in operating assets and liabilities:		
Net investment in Islamic finance receivables	(156,647,574)	2,374,759
Prepayments and other receivables	(20,545,072)	1,072,790
Amounts due to related parties	(10,901,448)	(1,621,841)
Accounts payable	69,307,825	4,193,346
Accruals and other current liabilities	3,116,344	1,108,435
Cash (use in) / from operations	<u>(109,835,737)</u>	<u>13,389,474</u>
Employees' defined benefits liabilities, paid	(174,906)	(172,036)
Finance costs and bank charges paid	(1,365,558)	(679,792)
Zakat paid	(990,297)	-
Net cash (use in) / from operating activities	<u>(112,366,498)</u>	<u>12,537,646</u>
INVESTING ACTIVITY		
Purchase of property and equipment	(193,517)	(63,218)
Net cash used in investing activity	<u>(193,517)</u>	<u>(63,218)</u>
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	251,660,500	35,000,000
Repayment of loans and borrowings	(14,539,172)	(25,021,648)
Payment of lease liabilities	(57,658)	(738,716)
Dividends paid	-	(13,842,390)
Net cash from / (use in) financing activities	<u>237,063,670</u>	<u>(4,602,754)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	124,503,655	7,871,674
Cash and cash equivalents at the beginning of the period	<u>13,715,010</u>	<u>33,355,767</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>138,218,665</u>	<u>41,227,441</u>

The attached notes 1 to 9 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 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 Rabi' II 1439H
Tamweel Al Oula - Branch	2252101795	Al Hasa	10 Dhu Al Hijjah 1439H

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

The interim condensed financial statements of the Company as of 30 June 2020 were authorised for issuance on 27 July 2020 (corresponding to 6 Dhu Al Hijjah 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
Total assets	482,995,794
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)
Total liabilities	(345,962,525)
Net assets transferred	137,033,269

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
(A Saudi Closed Joint Stock Company)

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

At 30 June 2020

2 BASIS OF PREPARATION

The interim condensed financial statements of the Company as at and for the six-month period ended 30 June 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.

2.1 Basis of measurement

These interim condensed financial statements have prepared on historical cost basis, except when otherwise disclosed in the accounting policy adopted.

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 accounting policies adopted in the preparation of the 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 is not yet effective.

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.

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. 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.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

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

At 30 June 2020

5 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES

	<i>30 June 2020 (Unaudited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Gross investment in Islamic finance receivables	695,754,315	493,748,184
Less: unearned finance income (see below 5.1)	(133,605,555)	(86,239,777)
Investment in Islamic finance receivables (before allowance for expected credit loss on Islamic finance receivables)	562,148,760	407,508,407
Less: allowance for expected credit loss on Islamic finance receivables	(18,715,349)	(15,461,842)
Net investment in Islamic finance receivables	<u>543,433,411</u>	<u>392,046,565</u>

5.1 Unearned finance income as at 30 June 2020 includes loss on modification of net investment in finance lease (note 8) amounting to SR 2 million (31 December 2019: SR nil).

Investment in Islamic finance leases includes balances due from related parties and related parties' transactions disclosed under note 7.

The Company's implicit rate of return on investment in finance receivables is in market rate range. These receivables are secured against assets, personal guarantees, Kafala program 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 1.6 million (31 December 2019: SR 1.8 million) and Tawaruq contracts amounting to SR 164 million (31 December 2019: SR 82 million).

As at 30 June 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 12.42 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 30 June 2020

6 LOANS AND BORROWINGS

	SAMA deferred payments program (see below 6.1) SR	Social Development Bank financing (see below 6.2) SR	Tawaruq financing (see below 6.3) SR	30 June 2020 SR (Unaudited)	31 December 2019 SR (Audited)
Current portion	41,629,427	9,583,332	94,877,494	146,090,253	66,696,082
Non-current portion, gross	124,825,609	62,892,524	-	187,718,133	37,030,649
Less: Modification gain on deferment	(3,568,972)	-	-	(3,568,972)	-
Non-current portion, net	121,256,637	62,892,524	-	184,149,161	37,030,649

6.1 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 8). The Modification gain on deferment includes an amount of SR 3.5 million is recorded under revenue from operations in the interim condensed statement of profit or loss. Further, the Company has obtained additional funds from SAMA under loan guarantee program amounting SR 102 million to finance its activities. SAMA deferred payments program and loan guarantee program are carried at fair value using internal rate of return equivalent to the prevailing market rate.

6.2 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 and a grace period for 6 months for a new loan obtained during the period. 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.

6.3 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 interim condensed financial statements. 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.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

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

At 30 June 2020

7 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>	
			<u>Six-month period</u>		<u>30 June</u>	<u>31 December</u>
			<u>ended 30 June</u>			
			<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
			<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
					<u>(Unaudited)</u>	<u>(Audited)</u>
<u>Amounts due from related parties - (presented under net investment in Islamic finance receivables note 5):</u>						
Al Kifah Real Estate Company	Affiliate	Amount collected against Islamic financing receivables	(2,489,583)	-		
		Twarouq	2,962,000	-	24,248,959	23,240,398
Al Kifah Paper Products Company	Affiliate	Amount collected against Islamic financing receivables	(2,458,333)	-		
		Twarouq	2,990,000	-	24,240,381	23,217,963
Al Kifah Precast Company	Affiliate	Amount collected against Islamic financing receivables	(2,458,333)	-		
		Twarouq	2,990,000	-	24,246,844	23,217,963
Al Kifah Contracting Company	Shareholder	Amount collected against Islamic financing receivables	(4,062,172)	(3,319,446)		
		Twarouq	8,340,000	-	21,936,488	18,003,601
Al Kifah for Building Material Company	Shareholder	Amount collected against Islamic financing receivables	(6,688,493)	(4,734,884)		
		Twarouq	9,600,000	-	21,044,769	17,295,167
					115,717,441	104,975,092

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

At 30 June 2020

7 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>	
			<u>Six-month period ended 30 June</u>		<u>30 June</u>	<u>31 December</u>
			<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
			<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
			<u>2020</u>	<u>2019</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
<u>Amounts due to related parties - (presented under current liabilities):</u>						
Al Kifah Trading Company	Shareholder	Management fees received by the company	(60,000)	(30,000)		
Subsequent to the period-end, SAMA has requested the Con		Refund of excess balance ,net	-	(18,888)	-	181,167
Al Kifah Holding Company	Shareholder	Value added tax paid on behalf of the Company	949,437	916,388		
		Advertising expenses	9,348	403,618		
		Amount paid against advertising expenses	(124,934)	(434,900)		
		Services provided	98,427	1,343,075		
		Amounts paid against services	(114,532)	(1,657,685)	900,506	1,981,634
Al Kifah for Building Material Company	Shareholder	Heavy machinery and equipment sales financed by the Company	13,213,865	6,217,500		
		Amount paid against machinery and equipment financed	(42,340,600)	(6,130,000)	-	8,627,637
Al Kifah Information Technology	Affiliate	Information technology fee	(266,893)	739,096		
		Amount paid against Information technology fee	105,248	(1,134,799)	364,227	202,582
Al Kifah Real Estate Company	Affiliate	Amounts paid against rent	(1,482,473)	(269,270)		
		Services provided	294,374	266,800	-	1,188,099
Al Kifah Contracting Company	Shareholder	Amount due against construction of new office	-	345,550		
		Amount paid against construction of new office	-	(300,003)	45,550	45,550
Al Kifah Paper Products Company	Affiliate	Services provided	14,938	-	14,938	-
					1,325,221	12,226,669

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

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

At 30 June 2020

7 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>Six-month period ended 30 June 2020</i>	<i>Six-month period ended 30 June 2019</i>
	<i>SR</i>	<i>SR</i>
Short-term employee benefit	626,966	1,522,999
Post-employment benefits	81,944	81,944
	<u>708,910</u>	<u>1,604,943</u>

8 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 production volumes which had predated the pandemic. The Company has evaluated the current situation through conducting stress testing scenarios on expected movements of oil prices and their impact on key credit, liquidity, operational, solvency and performance indicators, in addition to other risk management practices to manage the potential business disruption that the COVID-19 outbreak 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, considering economic sectors, regions, counterparties, collateral protection, etc. This has also taken into consideration the impacts of government and SAMA support relief programmes.

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 3.2 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.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

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

At 30 June 2020

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

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 borrowers’ potential cash flow issues. In Q1 2020, the Company has effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September 2020 for a period of six months. The accounting impact of these changes in terms of the credit facilities has been assessed and treated as per the requirements of IFRS 9 as a modification in the 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, which has been amortised over 6 month and presented as part of “revenue from operations” in the interim condensed statement of profit or loss. Pursuant to SAMA deferred payments program, the Company under an agreement with SAMA, has recorded loans and borrowings amounting to SR 70.6 million, as profit-free deposit. 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 30 June 2020 immediately under revenue from operations. The management has exercised certain judgments in the recognition and measurement of this grant income.

As at 30 June 2020, the Company is participating in deferred payment program and loan guarantee program (note 6).

9 SUBSEQUENT EVENTS

Subsequent to the period-end, SAMA has requested the Company to refund SR 19.9 million for customers not benefited from the deferred payment program. Other than mentioned, no events have arisen subsequent to the six months period ended 30 June 2020 and before the date of signing of the external auditor’s review report that could have a significant effect on the interim condensed financial statements as at 30 June 2020.