

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

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

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(A SAUDI CLOSED JOINT STOCK COMPANY)

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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 ("the Company") as at 30 September 2020, and the related interim condensed statements of profit or loss and other comprehensive income, for the three and nine months periods ended 30 September 2020, and the related interim condensed statements of changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other explanatory notes. 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") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to 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 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Marwan Al-Afaliq
Certified Public Accountant
Registration No. 422



9 Rabi' al Awwal 1442H
26 October 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 THREE AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2020

	<i>Three-months period ended 30 September</i>		<i>Nine-months period ended 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
<i>Note</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
REVENUE				
Revenue from operations	11,853,468	9,932,012	32,684,629	29,506,312
Revenue from other activities	3,770,525	387,117	7,130,996	1,091,009
TOTAL INCOME	15,623,993	10,319,129	39,815,625	30,597,321
EXPENSES				
Finance costs and bank charges	(2,669,015)	(972,392)	(5,729,707)	(2,661,783)
Insurance expenses for finance leasing activities	(971,180)	(1,134,249)	(3,224,084)	(3,283,744)
Salaries and employees' related expenses	(5,183,759)	(3,231,344)	(14,033,638)	(11,586,974)
Short-term lease	(8,250)	-	(48,750)	-
Depreciation and amortisation	(742,571)	(633,133)	(1,962,373)	(1,778,881)
Charge of expected credit losses on investment in Islamic finance receivables	(2,410,234)	(1,563,499)	(5,663,741)	(1,563,499)
Other general and administrative expenses	(2,971,291)	(1,345,023)	(6,883,033)	(4,640,634)
TOTAL EXPENSES	(14,956,300)	(8,879,640)	(37,545,326)	(25,515,515)
PROFIT BEFORE ZAKAT	667,693	1,439,489	2,270,299	5,081,806
Zakat	(137,705)	-	(468,226)	(729,263)
PROFIT FOR THE PERIOD	529,988	1,439,489	1,802,073	4,352,543
OTHER COMPREHENSIVE INCOME				
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	529,988	1,439,489	1,802,073	4,352,543

The attached notes 1 to 10 form part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Note</i>	<i>30 September 2020 SR (Unaudited)</i>	<i>31 December 2019 SR (Audited)</i>
ASSETS			
NON-CURRENT ASSETS			
Net investment in Islamic finance receivables	5	405,773,114	215,740,786
Property and equipment		1,014,695	1,087,151
Right-of-use assets		1,403,673	2,303,353
Intangible assets		2,007,470	2,286,790
Equity investment at fair value through other comprehensive income "OCI"		892,850	892,850
TOTAL NON-CURRENT ASSETS		411,091,802	222,310,930
CURRENT ASSETS			
Current portion of net investment in Islamic finance receivables	5	300,240,052	176,305,779
Prepayments and other receivables		61,365,459	4,405,724
Cash and cash equivalents		52,403,334	13,715,010
TOTAL CURRENT ASSETS		414,008,845	194,426,513
TOTAL ASSETS		825,100,647	416,737,443
EQUITY AND LIABILITIES			
EQUITY			
Capital		250,000,000	250,000,000
Statutory reserve		6,554,603	6,554,603
Retained earnings		16,276,408	14,474,335
TOTAL EQUITY		272,831,011	271,028,938
NON-CURRENT LIABILITIES			
Loans and borrowings	7	230,643,039	37,030,649
Government grant	7	15,104,928	3,627,049
Lease liabilities		332,027	445,160
Employees' defined benefits liabilities		4,132,622	3,767,769
TOTAL NON-CURRENT LIABILITIES		250,212,616	44,870,627
CURRENT LIABILITIES			
Accounts payable		51,415,529	13,960,939
Amounts due to related parties	8	5,174,733	12,226,669
Short-term loans and borrowings	7	108,356,022	45,825,997
Current portion of loans and borrowings	7	119,840,135	20,870,085
Current portion of lease liabilities		259,139	1,114,730
Accruals and other current liabilities		16,543,115	5,849,040
Provision for zakat		468,347	990,418
TOTAL CURRENT LIABILITIES		302,057,020	100,837,878
TOTAL LIABILITIES		552,269,636	145,708,505
TOTAL EQUITY AND LIABILITIES		825,100,647	416,737,443

The attached notes 1 to 10 form part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the nine-months period ended 30 September 2020

	<i>Capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
As at 1 January 2019 (audited)	250,000,000	5,692,086	20,546,753	276,238,839
Profit for the period	-	-	4,352,543	4,352,543
Other comprehensive loss for the period	-	-	-	-
Total comprehensive income for the period	-	-	4,352,543	4,352,543
Dividends (note 6)	-	-	(13,842,390)	(13,842,390)
As at 30 September 2019 (unaudited)	250,000,000	5,692,086	11,056,906	266,748,992
As at 1 January 2020 (audited)	250,000,000	6,554,603	14,474,335	271,028,938
Profit for the period	-	-	1,802,073	1,802,073
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	1,802,073	1,802,073
As at 30 September 2020 (unaudited)	250,000,000	6,554,603	16,276,408	272,831,011

The attached notes 1 to 10 form part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the nine-months period ended 30 September 2020

	<i>Nine-months period ended 30 September</i>	
	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
Profit before zakat	2,270,299	5,081,806
Adjustments reconcile profit before zakat to net cashflow:		
Depreciation and amortisation	1,062,694	995,792
Depreciation of right-of-use assets	899,679	783,088
Finance costs and bank charges	5,729,707	2,661,783
Employees' defined benefits liabilities, charged	669,183	479,920
Charge of expected credit loss on investment in Islamic	5,663,741	1,563,499
Loss on modification of net investment in Islamic finance lease	4,040,396	-
Modification gain on deferred payments program	(4,287,146)	-
Grant income realised	(5,760,844)	(866,597)
	<u>10,287,709</u>	<u>10,699,291</u>
Changes in operating assets and liabilities:		
Net investment in Islamic finance receivables	(319,630,342)	(73,028,018)
Prepayments and other receivables	(12,810,361)	1,649,733
Amounts due to related parties	(7,051,936)	1,573,476
Accounts payable	37,454,590	5,086,968
Accruals and other current liabilities	10,694,075	2,833,676
Cash used in operations	(281,056,265)	(51,184,874)
Employees' defined benefits liabilities, paid	(304,330)	(377,537)
Finance costs and bank charges paid	(1,912,742)	(1,001,920)
Zakat paid	(990,297)	(458,071)
Net cash used in operating activities	<u>(284,263,634)</u>	<u>(53,022,402)</u>
INVESTING ACTIVITY		
Purchase of property and equipment	(710,918)	(137,860)
Net cash used in an investing activity	<u>(710,918)</u>	<u>(137,860)</u>
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	367,677,161	85,000,000
Repayment of loans and borrowings	(43,006,627)	(13,842,390)
Payment of lease liabilities	(1,007,658)	(887,124)
Dividends paid	-	(29,604,981)
Net cash from financing activities	<u>323,662,876</u>	<u>40,665,505</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	38,688,324	(12,494,757)
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>52,403,334</u>	<u>20,861,010</u>

The attached notes 1 to 10 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 September 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 P.O. 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 leases, consumer finance and productive assets finance.

The interim condensed financial statements of the Company as of 30 September 2020 were authorised for issuance on 26 October 2020 (corresponding to 9 Rabi' al Awwal 1442H).

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:

	<i>SR</i>
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 to 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.

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

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

At 30 September 2020

2 BASIS OF PREPARATION

The interim condensed financial statements of the Company as at and for the nine-months period ended 30 September 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 September 2020

5 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES

	<i>30 September 2020 (Unaudited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Gross investment in Islamic finance receivables	894,278,956	493,748,184
Less: unearned finance income (see below 5.1)	(167,140,207)	(86,239,777)
Investment in Islamic finance receivables (before allowance for expected credit loss on Islamic finance receivables)	727,138,749	407,508,407
Less: allowance for expected credit loss on Islamic finance receivables	(21,125,583)	(15,461,842)
Net investment in Islamic finance receivables	706,013,166	392,046,565

Net investment in Islamic finance receivables are presented in the interim condensed statement of financial position as below:

	<i>30 September 2020 (Unaudited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Net investment in Islamic finance receivables, non-current	405,773,114	215,740,786
Net investment in Islamic finance receivables, current	300,240,052	176,305,779
	706,013,166	392,046,565

5.1 Unearned finance income as at 30 September 2020 includes loss on modification of net investment in Islamic finance lease (note 8) amounting to SR 3.4 million (31 December 2019: SR nil).

Investment in Islamic finance leases includes balances due from related parties and related parties' transactions disclosed under note 8.

The Company's implicit rate of return on investment in Islamic finance receivables is in market rate range. These receivables are majorly 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 Islamic finance receivables include murabaha and tawaruq contracts amounting to SR 288.5 million (31 December 2019: SR 84 million).

As at 30 September 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 10.62 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.

6 DIVIDEND

During the nine-months period ending 30 September 2019, the shareholders approved distribution of cash dividends amounting to SR 13.8 million. No such disbursement was made during the current period.

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

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

At 30 September 2020

7 LOANS AND BORROWINGS

	<i>SAMA deferred payments program (see below 7.1) SR</i>	<i>Social Development Bank financing (see below 7.2) SR</i>	<i>Tawaruq financing (see below 7.3) SR</i>	30 September 2020 SR (Unaudited)	31 December 2019 SR (Audited)
Short-term loans and borrowings	-	-	108,356,022	108,356,022	45,825,997
Current portion of long-term borrowings	102,340,133	17,500,002	-	119,840,135	20,870,085
Non-current portion, gross	179,236,520	55,693,665	-	234,930,185	37,030,649
Less: Modification gain on deferment	(4,287,146)	-	-	(4,287,146)	-
Non-current portion, net	174,949,374	55,693,665	-	230,643,039	37,030,649

7.1 During the period, the Company has signed an agreement with Saudi Arabian Monterey Agency ("SAMA") for deferred payments program amounting to SR 98.6 million, which is an interest free loan (note 8). The Modification gain on deferment includes an amount of SR 4.3 million, which is recorded under revenue from operations in the interim condensed statement of profit or loss and other comprehensive income. Further, the Company has obtained additional funds from SAMA under loan guarantee program amounting SR 193.5 million to finance its activities. The loans are repayable in equal monthly instalments commencing from May 2020 with the final instalment due in January 2021. SAMA deferred payments program and loan guarantee 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 ("SMEs"). 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 are repayable in equal monthly instalments commencing from March 2019 with the final instalment due in March 2022. Accordingly, the portion of the loan payable before 1 October 2021 has been classified under 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 short-term and repayable within a year from the reporting date and are 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. The Company had no breach of covenants during the period.

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

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

At 30 September 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:

Amounts due from related parties - (presented under net investment in Islamic finance receivables note 5):

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amounts of transactions</u>		<u>Balances</u>	
			<i>Nine-months period</i>		<i>30 September</i>	<i>31 December</i>
			<i>ended 30 September</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>
Al Kifah Real Estate Company	Affiliate	Twarouq	5,675,229	-	27,102,893	23,240,398
Al Kifah Paper Products Company	Affiliate	Twarouq	5,716,798	-	27,102,893	23,217,963
Al Kifah Precast Company	Affiliate	Twarouq	5,716,798	-	27,102,893	23,217,963
Al Kifah Contracting Company	Shareholder	Twarouq	13,296,862	-	24,238,675	18,003,601
Al Kifah for Building Material Company	Shareholder	Twarouq	15,574,788	2,500,000	23,451,615	17,295,167
					128,998,969	104,975,092

Amounts due to related parties - (presented under current liabilities):

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amounts of transactions</u>		<u>Balances</u>	
			<i>Nine-months period</i>		<i>30 September</i>	<i>31 December</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>
Al Kifah Trading Company	Shareholder	Management fees received by the Company	(90,000)	(30,000)		
		Refund of excess balance, net	-	(18,888)		
		Assets purchase for the purpose of leases	1,917,655	1,917,655	-	181,167
Al Kifah Holding Company	Shareholder	Value added tax paid on behalf of the Company	3,809,076	1,237,402		
		Zakat paid on behalf of the Company	-	(1,616,930)		
		Advertising expenses	243,536	453,371		
		Services provided	1,392,566	1,525,069	1,571,537	1,981,634
Al Kifah for Building Material Company	Shareholder	Heavy machinery and equipment sales financed by the Company	52,913,818	62,625,317	-	8,627,637
Al Kifah Information Technology Company	Affiliate	Information technology fee	2,474,515	1,044,237	2,455,588	202,582
Al Kifah Real Estate Company	Affiliate	Services provided	1,381,493	364,858	1,087,120	1,188,099
Al Kifah Contracting Company	Shareholder	Amount due against construction of new office	-	345,550	45,550	45,550
Al Kifah Paper Products Company	Affiliate	Services provided	14,938	-	14,938	-
					5,174,733	12,226,669

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

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

At 30 September 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>Nine-months period ended 30 September</i>	
	<i>2020</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>
Short-term employee benefit	940,449	1,472,062
Post-employment benefits	122,916	416,976
	1,063,365	1,889,038

9 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 5.6 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 September 2020

9 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 was initially required to defer payments for six months on the lending facilities to those companies that qualify as MSMEs. Further to the above, During the three months period ended 30 September 2020, the company was instructed by SAMA to defer further these facilities for an additional three months. 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 and in Q3 2020, the Company has further effected the payment reliefs by deferring the instalments falling due within the period from 14 September 2020 to 14 December 2020 for a period of three 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 day 1 modification loss of SR 4 million on net investment in Islamic finance lease in Q1 2020 and SR 3.5 million in Q3 2020 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 has recorded loans and borrowings amounting to SR 50.6 million until Q2 2020 and SR 48.2 Million in Q3 2020, as profit-free deposit. The amount is repayable to SAMA over the period of 3 years in equal monthly instalments, with initial grace period of 6 months and for additional deferral program, the balance is repayable over the period of 1.5 years with grace a period 3 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 2.4 million, which has been recognised in the interim condensed statement of profit or loss as at 30 September 2020. During the nine months period ended 30 September 2020, the management has exercised certain judgments in the recognition and measurement of grant income of SR 1.7 million.

As at 30 September 2020, the Company is participating in deferred payment program and loan guarantee program (note 7).

10 SUBSEQUENT EVENTS

There have been no events subsequent to the reporting date that would significantly affect the amounts reported in the interim condensed financial statements as at and for the nine-months period ended 30 September 2020.