

**AL JABR FINANCING COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT**  
**AUDITOR'S REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**AL JABR FINANCING COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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## INDEPENDENT AUDITOR'S REPORT

(1/2)

To the Shareholders of  
Al Jabr Financing Company  
(A Saudi closed Joint Stock Company)  
Dammam, Kingdom of Saudi Arabia

### Opinion

We have audited the financial statements of Al Jabr Financing Company, a Saudi Closed Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics, endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Company's By-laws and the applicable requirements of Companies' regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (i.e. Board of Directors) are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

**INDEPENDENT AUDITOR'S REPORT (Continued)**

(2/2)

To the Shareholders of  
Al Jabr Financing Company  
(A Saudi closed Joint Stock Company)  
Dammam, Kingdom of Saudi Arabia

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exist related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

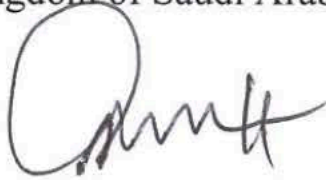
Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

**Al-Bassam & Co.**

P.O. Box 4636

Al Khobar 31952

Kingdom of Saudi Arabia



**Ahmed A. Mohandis**

**License No.477**

3 March 2020G

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**AL JABR FINANCING COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	Note	31 December 2019 SR	31 December 2018 SR
<b>ASSETS</b>			
Cash and cash equivalents	5	21,907,604	30,459,822
Net investment in financing contracts	6	962,277,868	870,554,044
Assets repossessed held for sale	7	1,919,850	2,012,796
Prepayment and other receivables	8	8,014,313	7,005,374
Right of use assets	3.3.2	1,635,493	-
Investment in equity instruments carried at fair value through OCI	10	892,850	892,850
Property and equipment, net	11	4,618,240	5,721,734
<b>TOTAL ASSETS</b>		<b>1,001,266,218</b>	<b>916,646,620</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Borrowings	12	246,862,508	302,242,835
Accounts payable and other liabilities	13	325,916,674	219,903,392
Lease liabilities	3.3.2	1,639,475	-
Zakat provision	14	4,028,006	2,386,925
End-of-service indemnities	15	2,531,433	1,875,757
<b>TOTAL LIABILITIES</b>		<b>580,978,096</b>	<b>526,408,909</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	16	345,000,000	345,000,000
Statutory reserve	17	11,659,065	8,647,299
Retained earnings		62,912,058	35,806,167
Actuarial gain reserve on end-of-service indemnities		716,999	784,245
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>420,288,122</b>	<b>390,237,711</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,001,266,218</b>	<b>916,646,620</b>
Contingencies	18		

The accompanying notes 1 to 28 form an integral part of these financial statement

**AL JABR FINANCING COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

		<b>31 December 2019</b>	31 December 2018 (restated- note 3.3.1)
	Note	SR	SR
Revenue	19	<b>133,709,806</b>	107,846,811
Insurance cost		<b>(33,337,824)</b>	(32,071,160)
Finance charges	20	<b>(13,212,938)</b>	(7,450,329)
<b>Gross income</b>		<b>87,159,044</b>	68,325,322
General and administration expenses	21	<b>(33,071,922)</b>	(26,879,414)
Selling and marketing expenses	22	<b>(5,499,330)</b>	(3,537,218)
Allowance for credit loss	6.1	<b>(37,447,100)</b>	(16,712,171)
Government grant	12	<b>2,053,186</b>	-
Other income	23	<b>7,550,237</b>	4,592,556
Net gain on de-recognition of investment in financing contracts	24	<b>13,720,560</b>	-
<b>Income before zakat</b>		<b>34,464,675</b>	25,789,075
Zakat expense	14	<b>(4,347,018)</b>	(2,500,000)
<b>NET INCOME AFTER ZAKAT</b>		<b>30,117,657</b>	23,289,075
<b>OTHER COMPREHENSIVE (LOSS) / INCOME</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial (loss) / gain reserve on end-of-service indemnities	15	<b>(67,246)</b>	1,049,569
<b>Total other comprehensive (loss) / income for the year</b>		<b>(67,246)</b>	1,049,569
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>30,050,411</b>	24,338,644
<b>Earnings per share (basic and diluted)</b>	25	<b>0.87</b>	0.68

The accompanying notes 1 to 28 form an integral part of these financial statements.

**AL JABR FINANCING COMPANY**  
(A SAUDI CLOSED JOINT STOCK COMPANY)

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	Share Capital SR	Statutory Reserve SR	Retained Earnings SR	Fair Value Reserve SR	Actuarial (loss) / gain reserve on end-of- service indemnities SR	Total SR
Balance as at 1 January 2018		345,000,000	6,318,392	32,095,999	-	(265,324)	383,149,067
Net profit for the year		-	-	23,289,075	-	-	23,289,075
Other comprehensive loss for the year	15	-	-	-	-	1,049,569	1,049,569
Total comprehensive income for the year		-	-	23,289,075	-	1,049,569	24,338,644
Transfer to statutory reserve		-	2,328,907	(2,328,907)	-	-	-
Dividends distributed		-	-	(17,250,000)	-	-	(17,250,000)
Balance as at 31 December 2018		345,000,000	8,647,299	35,806,167	-	784,245	390,237,711
Balance as at 1 January 2019		<b>345,000,000</b>	<b>8,647,299</b>	<b>35,806,167</b>	-	<b>784,245</b>	<b>390,237,711</b>
Net profit for the year		-	-	30,117,657	-	-	30,117,657
Other comprehensive loss for the year		-	-	-	-	-	-
<i>Items that may be reclassified subsequently to profit and loss:</i>							
Movement in fair value reserve relating to investment in finance contracts carried at Fair value through other comprehensive income	24	-	-	-	6,808,087	-	6,808,087
Realized gain on de-recognition of investment of investment in financing contracts	24	-	-	-	(6,808,087)	-	(6,808,087)
<i>Items that will not be reclassified to profit and loss</i>							
Actuarial loss reserve on end-of-service indemnities	15	-	-	-	-	(67,246)	(67,246)
Total comprehensive income for the year		-	-	30,117,657	-	(67,246)	30,050,411
Transfer to statutory reserve		-	3,011,766	(3,011,766)	-	-	-
Balance as at 31 December 2019		<b>345,000,000</b>	<b>11,659,065</b>	<b>62,912,058</b>	-	<b>716,999</b>	<b>420,288,122</b>

The accompanying notes 1 to 28 form an integral part of these financial statements.

**AL JABR FINANCING COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	31 December 2019 SR	31 December 2018 SR
<b>OPERATING ACTIVITIES</b>		
Income before zakat	34,464,675	25,789,075
Adjustments for:		
Depreciation on property and equipment	2,106,128	1,861,128
Provision for end-of-service indemnities	706,573	829,764
Allowance for credit loss	37,447,100	16,712,171
Government grant	(2,053,186)	-
Finance charges	13,212,938	7,450,329
Amortization of right of use assets	546,663	-
Net gain on investment in financing contracts	(13,720,560)	-
<i>Changes in operating assets and liabilities:</i>		
Net investment in financing contracts	(281,063,325)	(219,790,079)
Proceeds on derecognition of investment in financing contracts, net	191,085,304	-
Prepayment and other receivables	3,117,003	(4,203,329)
Assets repossessed held for sale	92,946	(162,269)
Accounts payable and other liabilities	76,354,997	90,892,281
<b>Cash used in operations</b>	<b>62,297,256</b>	<b>(80,620,929)</b>
Zakat paid during the year	(2,705,937)	(1,564,761)
Finance charges paid	(12,911,770)	(7,297,679)
End-of-service indemnities paid	(118,143)	(307,414)
<b>Net cash generate from / (used in) operating activities</b>	<b>46,561,406</b>	<b>(89,790,783)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,002,634)	(2,235,717)
<b>Net cash generated used in investing activity</b>	<b>(1,002,634)</b>	<b>(2,235,717)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from borrowings	55,000,000	154,147,086
Borrowings repaid	(108,544,323)	(52,056,901)
Payment under lease liability	(566,667)	-
Dividends paid during the year	-	(17,250,000)
<b>Net cash (used in ) / from financing activities</b>	<b>(54,110,990)</b>	<b>84,840,185</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(8,552,218)</b>	<b>(7,186,315)</b>
Cash and cash equivalents at the beginning of the year	30,459,822	37,646,137
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>21,907,604</b>	<b>30,459,822</b>
<b><u>Non- cash transactions:</u></b>		
Actuarial loss / (gain) reserve on end-of-service indemnities	67,264	(1,049,569)
Transfer from property and equipment to assets repossessed held for sale	-	69,750
Effect of IFRS 16 –Right-of-use assets / lease liability	2,122,156	-
Effect of IFRS 16 –Prepayment transferred to right of use	60,000	-
Transfer of net investment in financing contracts at amortized cost to financial assets through OCI	(151,892,401)	-
Prepaid insurance on sold portfolio	(1,625,027)	-
Present value of servicing asset	4,880,089	-
Liabilities arising of purchase agency agreement	(28,727,405)	-

The accompanying notes 1 to 28 form an integral part of these financial statements