

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

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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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 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed 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 as 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 that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA, and Regulations for Companies and Company's By-laws / Articles of Association 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. the 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 or the terms of the Articles of Association of the Company in so far as they affect the preparation and presentation of the financial statements.

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Kingdom of Saudi Arabia



Ahmed Mohandis
License No.477
28 February 2021G
16 Rajab 1442H



AL JABR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		31 December	31 December
		2020	2019
	Note	SR	SR
ASSETS			
Cash and cash equivalents	5	50,795,392	21,907,604
Net investment in financing contracts	6	739,557,721	962,277,868
Assets repossessed held for sale	7	598,918	1,919,850
Prepayment and other receivables, net	8	17,915,387	8,014,313
Right of use assets, net	9	1,085,824	1,635,493
Investment in equity instruments carried at fair value through OCI	11	892,850	892,850
Property and equipment, net	12	3,026,787	4,618,240
TOTAL ASSETS		813,872,879	1,001,266,218
LIABILITIES AND EQUITY			
Borrowings	13	243,063,990	246,862,508
Accounts payable and other liabilities	14	106,022,531	325,916,674
Lease liabilities	15	1,122,070	1,639,475
Zakat provision	16	5,573,109	4,028,006
End-of-service indemnities	17	3,698,416	2,531,433
TOTAL LIABILITIES		359,480,116	580,978,096
EQUITY			
Share capital	18	345,000,000	345,000,000
Statutory reserve	19	15,106,754	11,659,065
Retained earnings		93,941,260	62,912,058
Actuarial gain reserve on end-of-service indemnities		344,749	716,999
TOTAL EQUITY		454,392,763	420,288,122
TOTAL LIABILITIES AND EQUITY		813,872,879	1,001,266,218
Contingencies	20		

The accompanying notes 1 to 32 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 2020

	Note	31 December 2020 SR	31 December 2019 SR
Revenue	21	114,900,617	133,709,806
Insurance cost		(24,411,905)	(33,337,824)
Finance charges	22	(8,207,290)	(13,212,938)
Gross income		82,281,422	87,159,044
General and administrative expenses	23	(32,839,840)	(33,071,922)
Selling and marketing expenses	24	(5,333,503)	(5,499,330)
Allowance for credit losses	6.2	(18,999,301)	(37,447,100)
Modification losses, net	25	(6,359,275)	-
Government grant	13	1,926,096	2,053,186
Other income, net	26	4,564,306	7,550,237
Net gain on de-recognition of investment in financing contracts	27	14,810,095	13,720,560
Income before zakat		40,050,000	34,464,675
Zakat expense	16	(5,573,109)	(4,347,018)
NET INCOME		34,476,891	30,117,657
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified to profit or loss			
Actuarial loss reserve on end-of-service indemnities	17	(372,250)	(67,246)
Total other comprehensive loss for the year		(372,250)	(67,246)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		34,104,641	30,050,411
Earnings per share (basic and diluted)	28	1.00	0.87

The accompanying notes 1 to 32 form an integral part of these financial statements.

AL JABR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital SR	Statutory Reserve SR	Retained Earnings SR	Actuarial gain reserve on end-of- service indemnities SR	Total SR
Note					
Balance as at 1 January 2019	345,000,000	8,647,299	35,806,167	784,245	390,237,711
Net profit for the year	-	-	30,117,657	-	30,117,657
Other comprehensive loss for the year	-	-	-	(67,246)	(67,246)
Transfer to statutory reserve	-	3,011,766	(3,011,766)	-	-
Balance as at 31 December 2019	<u>345,000,000</u>	<u>11,659,065</u>	<u>62,912,058</u>	<u>716,999</u>	<u>420,288,122</u>
Balance as at 1 January 2020	345,000,000	11,659,065	62,912,058	716,999	420,288,122
Net profit for the year	-	-	34,476,891	-	34,476,891
Other comprehensive loss for the year	-	-	-	(372,250)	(372,250)
Transfer to statutory reserve	-	3,447,689	(3,447,689)	-	-
Balance as at 31 December 2020	<u>345,000,000</u>	<u>15,106,754</u>	<u>93,941,260</u>	<u>344,749</u>	<u>454,392,763</u>

The accompanying notes 1 to 32 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 2020

	31 December 2020 SR	31 December 2019 SR
OPERATING ACTIVITIES		
Income before zakat	40,050,000	34,464,675
Adjustments for:		
Depreciation on property and equipment	1,892,319	2,106,128
Writte off property and equipment	546,615	-
Provision for end-of-service indemnities	867,246	706,573
Allowance for credit loss	18,999,301	37,447,100
Government grant	(1,926,096)	(2,053,186)
Finance charges	8,207,290	13,212,938
Amortization of right of use assets	549,669	546,663
Modification losses, net	6,359,275	-
Net gain on investment in financing contracts	(14,810,095)	(13,720,560)
<i>Changes in operating assets and liabilities:</i>		
Net investment in financing contracts	(23,088,771)	(281,063,325)
Prepayment and other receivables	(8,123,101)	2,186,123
Assets repossessed held for sale	1,320,932	92,946
Accounts payable and other liabilities	(254,033,364)	77,068,695
Cash used in operations	(223,188,780)	(129,005,230)
Zakat paid during the year	(4,028,006)	(2,705,937)
Finance charges paid	(3,228,953)	(12,911,770)
End-of-service indemnities paid	(72,513)	(118,143)
Net cash used in operating activities	(230,518,252)	(144,741,080)
INVESTING ACTIVITIES		
Purchase of property and equipment	(847,481)	(1,002,634)
Proceeds on derecognition of investment in financing contracts, net	265,093,032	191,085,304
Net cash generated from investing activity	264,245,551	190,082,670
FINANCING ACTIVITIES		
Proceeds from borrowings	70,000,000	55,000,000
Borrowings repaid	(74,272,844)	(108,327,141)
Lease liabilities paid	(566,667)	(566,667)
Net cash used in financing activities	(4,839,511)	(53,893,808)
NET CHANGE IN CASH AND CASH EQUIVALENTS	28,887,788	(8,552,218)
Cash and cash equivalents at the beginning of the year	21,907,604	30,459,822
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	50,795,392	21,907,604
Non- cash transactions:		
Actuarial loss / (gain) reserve on end-of-service indemnities	372,250	67,264
Effect of IFRS 16 –Right-of-use assets / lease liabilities	-	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	(218,473,555)	(151,892,401)
Prepaid insurance on sold portfolio	(2,600,680)	(1,625,027)
Present value of servicing asset	4,930,519	4,880,089
Liabilities arising of purchase agency agreements	(34,139,221)	(28,727,405)

The accompanying notes 1 to 32 form an integral part of these financial statements.