

**NAYIFAT FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

Unaudited Condensed Interim Financial Statements  
For the three months and nine months periods ended  
September 30, 2020 and  
Independent Auditors' Review Report

**NAYIFAT FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**Unaudited Condensed Interim Financial Statements for the three months and  
Nine months periods ended September 30, 2020**

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## **REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

To the Shareholders of Nayifat Finance Company  
(A Saudi Closed Joint Stock Company)

### **Introduction**

We have reviewed the accompanying interim statement of financial position of Nayifat Finance Company (A Saudi Closed Joint Stock Company) (the "Company") as of September 30, 2020 and the related interim statements of comprehensive income for the three months and nine months period then ended, and the interim statements of changes in shareholders' equity and cash flows for the nine months period then ended, and other explanatory notes (the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim 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" as 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 as 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

**Price**waterhouse**Coopers**

A handwritten signature in blue ink, appearing to read "Omar M. Al Sagga", is written over the printed name of the auditor.

Omar M. Al Sagga  
License Number 369

October 19, 2020

**NAYIFAT FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**INTERIM STATEMENT OF FINANCIAL POSITION**  
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	Note	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	5	143,608	52,596
Term and margin deposits	5	190,230	114,684
Islamic financing receivables	6	1,542,184	1,728,094
Equity investments at fair value through OCI		893	893
Prepayments and other receivables		32,880	40,272
Intangible assets		12,340	8,008
Property and equipment		44,800	44,223
<b>Total assets</b>		<b>1,966,935</b>	<b>1,988,770</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Accruals and other liabilities		42,379	46,148
Provision for zakat		20,220	21,532
Islamic bank financings and lease liabilities	7	763,155	873,789
Zakat payable		23,082	23,082
Provision of employees' end of service benefits		9,600	7,802
<b>Total liabilities</b>		<b>858,436</b>	<b>972,353</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		1,000,000	1,000,000
Statutory reserve		40,143	40,143
Proposed dividend	13	50,000	-
Retained earnings		18,356	41,426
Treasury shares	12	-	(65,152)
<b>Total shareholders' equity</b>		<b>1,108,499</b>	<b>1,016,417</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,966,935</b>	<b>1,988,770</b>

The accompanying notes from (1) through (16) form an integral part of these condensed interim financial statements.

  
Chief Financial Officer

  
Managing Director  
and  
Chief Executive Officer

  
Chairman of  
Board of Directors

**NAYIFAT FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE THREE AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**  
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	For the three-months period ended September 30		For the nine-months period ended September 30	
		2020	2019	2020	2019
<b>Revenue</b>		<b>104,413</b>	102,473	<b>313,659</b>	281,057
<b>Expenses</b>					
Finance costs		<b>(10,613)</b>	(14,391)	<b>(37,339)</b>	(42,238)
(Charge) / reversal of impairment, net	6.6	<b>(1,585)</b>	7,002	<b>(7,313)</b>	15,373
Salaries and employees related expenses	10	<b>(25,155)</b>	(24,649)	<b>(70,683)</b>	(68,468)
Other general and administrative expenses	8	<b>(8,447)</b>	(16,283)	<b>(30,238)</b>	(35,275)
Depreciation and amortization		<b>(3,066)</b>	(2,566)	<b>(8,799)</b>	(7,291)
Total expenses		<b>(48,866)</b>	(50,887)	<b>(154,372)</b>	(137,899)
Other income		<b>927</b>	640	<b>1,999</b>	1,903
<b>Net income for the period before zakat</b>		<b>56,474</b>	52,226	<b>161,286</b>	145,061
<b>Zakat</b>					
Charge for the period		<b>(7,000)</b>	(5,500)	<b>(20,697)</b>	(16,232)
Reversal of prior period		-	-	-	26,821
		<b>(7,000)</b>	(5,500)	<b>(20,697)</b>	10,589
<b>Net income for the period</b>		<b>49,474</b>	46,726	<b>140,589</b>	155,650
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<b>49,474</b>	46,726	<b>140,589</b>	155,650
<b>Basic and diluted earnings per share</b>	9	<b>0.49</b>	0.47	<b>1.41</b>	1.56

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and  
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Chairman of  
Board of Directors

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**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

(All amounts in Saudi Riyals in thousand unless otherwise stated)

	Note	Share capital	Treasury shares	Proposed dividend	Statutory reserve	Retained earnings	Total
<b>2020</b>							
Balance as at December 31, 2019 (Audited)		1,000,000	(65,152)	-	40,143	41,426	1,016,417
Net income for the period		-	-	-	-	140,589	140,589
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	140,589	140,589
Treasury stock	12	-	65,152	-	-	(65,152)	-
Proposed dividend	13	-	-	50,000	-	(50,000)	-
Dividend paid	12	-	-	-	-	(48,507)	(48,507)
<b>Balance as at September 30, 2020 (Unaudited)</b>		<b>1,000,000</b>	<b>-</b>	<b>50,000</b>	<b>40,143</b>	<b>18,356</b>	<b>1,108,499</b>
<b>2019</b>							
Balance as at December 31, 2019 (Audited)		850,000	-	-	18,261	79,487	947,748
Net income for the period		-	-	-	-	155,650	155,650
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	155,650	155,650
Dividend paid		-	-	-	-	(42,500)	(42,500)
<b>Balance as at September 30, 2019 (Unaudited)</b>		<b>850,000</b>	<b>-</b>	<b>-</b>	<b>18,261</b>	<b>192,637</b>	<b>1,060,898</b>

The accompanying notes from (1) through (16) form an integral part of these condensed interim financial statements.

  
Chief Financial Officer

  
Managing Director  
and  
Chief Executive Officer

  
Chairman of  
Board of Directors

**NAYIFAT FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**  
 (All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Net income for the period before zakat		161,286	145,061
<b>Adjustments for non-cash items:</b>			
Depreciation and amortization		8,799	7,291
Provision of employees' end of service benefits		2,169	1,242
Charge / (reversal) of impairment, net	6.6	7,313	(15,373)
Finance costs		37,339	42,238
<b>Changes in operating assets and liabilities:</b>			
Islamic financing receivables		178,597	(177,145)
Prepayments and other receivables		7,392	10,530
Accounts payable and accruals		(3,769)	9,869
Rentals paid		(1,664)	(2,448)
Zakat paid		(22,009)	(39,759)
Employees' end of service benefits paid		(371)	(283)
Finance cost and charges paid		(23,790)	(42,860)
<b>Net cash (used in)/ generated from operating activities</b>		<b>351,292</b>	<b>(61,637)</b>
<b>Cash flows from investing activities</b>			
Additions to property and equipment		(6,453)	(4,985)
Additions to intangible assets		(7,255)	(1,384)
Term and margin deposits		(75,546)	(11,376)
<b>Net cash used in investing activities</b>		<b>(89,254)</b>	<b>(17,745)</b>
<b>Cash flows from financing activities</b>			
Proceeds from financings		219,388	402,375
Repayment of financings		(341,907)	(308,845)
Dividend paid		(48,507)	(42,500)
<b>Net cash generated from/ (used in) financing activities</b>		<b>(171,026)</b>	<b>51,030</b>
Net change in cash and cash equivalents		91,012	(28,352)
Cash and cash equivalents at the beginning of the period		52,596	111,231
<b>Cash and cash equivalents at the end of the period</b>	5	<b>143,608</b>	<b>82,879</b>
<b>Supplemental non-cash information:</b>			
Islamic financing receivables write-offs	6.4	14,887	25,614
Recognition of Right-of-use asset upon adoption of IFRS 16		-	10,409
Recognition of lease liabilities asset upon adoption of IFRS 16		-	7,780

The accompanying notes from (1) through (16) form an integral part of these condensed interim financial statements.

  
 Chief Financial Officer

  
 Managing Director  
 and  
 Chief Executive Officer

  
 Chairman of  
 Board of Directors

**NAYIFAT FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

(All amounts in Saudi Riyals in thousand unless otherwise stated)

**1. GENERAL INFORMATION**

Nayifat Finance Company (the "Company") is registered as a Closed Joint Stock Company under Commercial Registration ("CR") Number 1010176451 issued in Riyadh on 9 JumadThani 1431H (corresponding to May 23, 2010). In accordance with the Law of Supervision of Finance Companies, the Saudi Arabian Monetary Authority (SAMA) granted a license to the Company to operate as a financing company under the name of Nayifat Finance Company.

As per the SAMA license No. 5/AS/201312 renewed on 23 Dhu'l-Hijjah1439 (corresponding to September 3, 2018), expiring on 26 Safar 1445 (corresponding to September 12, 2023), the Company is authorized to provide lease finance, consumer finance, small and medium enterprise finance and credit cards finance in the Kingdom of Saudi Arabia.

The Company's registered office is located in Riyadh at the following address:

Nayifat Finance Company  
7633 Al Ulaya – Al Woroud Dist  
Unit No 1555, Riyadh 12253 - 2105  
Kingdom of Saudi Arabia

These condensed interim financial statements have been reviewed, not audited.

**2. BASIS OF PREPARATION**

2.1 The condensed interim financial statements of the Company as at and for the period ended September 30, 2020 have been prepared in accordance with International Accounting Standard "Interim Financial Reporting"- ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

The condensed interim statement of financial position is stated in order of liquidity.

2.2 The condensed interim financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2019.

2.3 The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual audited financial statements for the year ended December 31, 2019.

**3. ADOPTION OF NEW STANDARDS AND AMENDMENTS TO EXISTING ACCOUNTING STANDARDS**

New accounting standards and amendments to existing accounting standards effective from January 1, 2020 and onwards do not have any significant effect on the Company's condensed interim financial statements.

**4. USE OF JUDGEMENTS AND ESTIMATES**

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The interim results may not represent a fully accurate indication of the annual results of operations. In preparing these condensed interim financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the statutory financial statements as at and for the year ended December 31, 2019.





**NAYIFAT FINANCE COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**

(All amounts in Saudi Riyals in thousand unless otherwise stated)

6.4 During the nine months period ended September 30, 2020, Islamic financing receivables of SR 14.9 million (2019: SR 8.9 million) were written-off.

6.5 Provision for impairment

	<b>September 30, 2020</b>	December 31,2019 (Audited)
January 1,	29,405	48,258
Charge for the period / year	30,584	14,200
Written off loans during the period / year	<u>(14,887)</u>	<u>(33,053)</u>
Balance at end of period / year	<u>45,102</u>	29,405

6.6 Reversal of impairment – net

	<b>For the nine months period ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Impairment provision charge (note 6.7)	30,584	14,036
Recoveries of receivables after written-off	<u>(23,271)</u>	<u>(29,409)</u>
Reversal of impairment – net	<u>7,313</u>	<u>(15,373)</u>

6.7 Generating the term structure of Probability of default (PD)

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. PD term structures are based on the default probability calculated on forward flow rates, maximum of past thirty-six months, adjusted by the outlook of the economy. The economic factor relating to GDP has been revised during the period considering the COVID-19 impact (Refer note 15 for details).

**7. ISLAMIC BANK FINANCINGS AND LEASE LIABILITIES**

	<b>September 30, 2020</b>	December 31, 2019 (Audited)
Islamic bank financings	759,646	868,616
Lease liabilities	<u>3,509</u>	<u>5,173</u>
	<u>763,155</u>	873,789

**8. OTHER GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>For the nine months period ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
Marketing and advertisements	124	7,649
Legal and professional charges	3,243	7,665
Insurance	4,300	4,345
Exchange traded fund valuation impact	-	4,244
IT support charges	3,643	3,118
Repairs, maintenance and office supplies	2,660	2,615
Utilities, telephone and communication	2,749	2,117
VAT expenses	3,457	1,912
Amortization of credit cards- pre operating expenses	4,963	-
Loss on valuation of repossessed assets held for sale	2,206	-
Rentals and others	2,893	1,610
	<u>30,238</u>	<u>35,275</u>

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**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**  
(All amounts in Saudi Riyals in thousand unless otherwise stated)

**9. EARNINGS PER SHARE**

	<b>For the nine months period ended September 30</b>	
	<b>2020</b>	2019 (Restated)
Net income for the period	<b>140,589</b>	155,650
Weighted average number of shares for basic and diluted EPS	<b>100,000</b>	100,000
Basic and diluted EPS in Saudi Riyals	<b>1.41</b>	1.56

**10. SALARIES AND EMPLOYEES RELATED EXPENSES**

This includes key management compensation for the periods ended September 30, as follows:

	<b>For the nine months period ended September 30,</b>	
	<b>2020</b>	2019 (Restated)
Key management compensation	<b>22,336</b>	19,173
Number of key management personnel	<b>18</b>	16

  

	<b>For the nine months period ended September 30,</b>	
	<b>2020</b>	2019 (Restated)
Board remuneration	<b>5,537</b>	5,658

**11. CONTINGENCY AND COMMITMENTS**

There is no significant change in the status of contingencies since the year ended December 31, 2019. Further, there is no significant capital commitment as at the interim statement of financial position date.

**12. TREASURY SHARES AND DIVIDEND**

During the year ended December 31, 2019, the Company bought 2,505,827 of its own shares having a par value of SR 10 at SR 26 per share from one of the shareholders amounting to SR 65,151,502 and has reported those as Treasury Shares under equity. On June 7, 2020 the Board of directors have resolved to allocate these shares to all the existing shareholders.

During the period ended September 30, 2020, the Company has paid interim dividends net of treasury shares amounting to SR 0.5 per share.

**13. PROPOSED DIVIDEND**

During the month of September 2020, the Board of Directors has proposed interim dividends at SR 0.5 per share. The Company is in the process of securing SAMA approval for the proposed dividends as at the date of approval of these condensed interim financial statements.

**14. CAPITAL MANAGEMENT**

The Company's objective when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of Islamic Bank financing and the advantages and security afforded by a sound capital position. In relation to the capital structure of the Company, management closely monitors the compliance with regulations and Islamic Bank financing covenants and as at the interim statement of financial position date the Company is in compliance with the debt covenants. At the reporting date, the management's analysis of gearing ratio is as follows:

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2020**  
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	<b>September 30,</b>	December 31,
	<b>2020</b>	2019
		(Audited)
Shareholders' equity	<b>1,108,499</b>	1,016,417
Islamic bank financing	<b>759,646</b>	868,616
Total capital structure	<b>1,868,145</b>	1,885,033
Gearing ratio	<b>40.66%</b>	46.07%

**15. SIGNIFICANT EVENTS DURING THE PERIOD**

In response to the spread of the COVID-19 in various cities of KSA where the Company operates and its resulting disruptions to the social and economic activities, the Company's management has proactively assessed its impact on its operations and has taken a series of preventive measures. Such measures include but are not limited to the creation of on-going crisis management committees as well as modification of processes, to ensure the health and safety of its employees, customers and related data. Notwithstanding these challenges, Nayifat's business operations has shown improvement in disbursements since June 2020 after showing decline during the months of April and May, on the collection side on the other hand the Company has achieved the same levels as was the case pre COVID-19 after facing marginally declined in April and May 2020. This is mainly due to the reason that majority of the customer base above 90% is Government sector employees. Further, based on the current economic environment the economic factor used in determining the provision for impairment for expected credit losses was updated during the period ended March 31, 2020 and the Company has continued with the forecast decline in the GDP growth rate based on Moody's outlook of Saudi economy.

From a liquidity perspective the Company has access to substantial unutilized long-term facilities from banks to finance its current and long-term funding needs of which approximately only 35% stands utilized as at September 30, 2020. Further in view of the low disbursements and regular collections the Company has sufficient liquidity available in addition to the un-utilized bank limits, and therefore the Company is not significantly exposed to liquidity risk. The management of the Company has taken a pro-active step by placing the surplus funds available with banks to generate revenue and minimize the impact on the Company's net income.

Based on these factors, the Company's management believes that the COVID-19 pandemic has had its impact on the profitability of the Company, only due to the reduced disbursements, however, this is expected to be temporary, since the disbursement have already improved significantly since the month of June. However, if the COVID-19 pandemic situation prolongs for a longer period of time this may impact the profitability of the Company in view of the reduction in loan bookings compared to past period and may also have an impact on the collections from higher buckets dues. The Company's management continues to monitor the situation closely and will modify its strategy based on the prevalent situation as may be required.

Further, SAMA has given an option to SME customers to avail a six-month repayments deferment plan and the same was opted by some of the customers as on September 30, 2020. The Company has also availed deferral options on its borrowings from banks without any additional costs to improve liquidity. The net impact of restructuring SME customers and availing the deferral option on the borrowings is not significant.

**16. DATE OF APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS**

The accompanying condensed interim financial statements were approved for issue by the Board of Directors on October 18, 2020.