AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
AND INDEPENDENT AUDITOR'S REPORT

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Independent auditor's report to the shareholders of Al Tayseer Arabian Company

Report on the audit of the financial statements

Our opinion

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

What we have audited

The Company's financial statements comprise:

- the statement of comprehensive income for the year ended December 31, 2019;
- the statement of financial position as at December 31, 2019;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional 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.

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 International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, 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 are responsible for overseeing the Company's financial reporting process.

Independent auditor's report to the shareholders of Al Tayseer Arabian Company (continued)

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 misstatement, 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 International Standards on Auditing, that are 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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 exists 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 disclosures 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.

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Independent auditor's report to the shareholders of Al Tayseer Arabian Company (continued)

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 and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409

March 10, 2020

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2019	Year ended December 31, 2018 (Restated)
Income from financing activities	5	**75,843,272**	72,407,471
Expenses			
Insurance and other initial direct costs		**(26,035,488)**	(31,598,056)
Salaries and other benefits		**(22,192,635)**	(22,167,102)
Finance costs	7	**(13,163,907)**	(12,784,796)
Impairment of financial assets	11, 12	**(5,439,405)**	(2,629,369)
Depreciation and amortisation		**(2,958,601)**	(1,877,213)
Commissions and sales promotion		**(1,656,891)**	(2,774,655)
Other expenses	6	**(9,869,978)**	(15,036,613)
Total expenses		**(81,316,905)**	(88,867,804)
Other income		**2,853,777**	3,779,009
Finance income		**175,477**	-
Loss before zakat		**(2,444,379)**	(12,681,324)
Reversal of (provision for) zakat, as restated	21, 26	**26,464,695**	(13,883,240)
Profit (loss) for the year		**24,020,316**	(26,564,564)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	19	**(764,172)**	2,259,065
Other comprehensive (loss) income for the year		**(764,172)**	2,259,065
Total comprehensive income (loss) for the year		**23,256,144**	(24,305,499)

The accompanying notes are an integral part of these financial statements.

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2019	2018
Assets			
Non-current assets			
Property and equipment	8	**6,597,237**	6,677,886
Right-of-use assets	9	**6,816,575**	-
Intangible assets	10	**5,420,465**	5,723,830
Long term deposit	18	**18,750,449**	18,750,449
Net investment in finance leases - non-current portion	11	**291,614,860**	271,363,108
Net investment in murabaha finance - non-current portion	12	**22,836,643**	-
Financial asset at fair value through other comprehensive income	13	**892,850**	892,850
Total non-current assets		**352,929,079**	303,408,123
Current assets			
Prepayments and other receivables	14	**19,629,545**	30,350,087
Net investment in finance leases - current portion	11	**275,290,825**	302,200,403
Net investment in murabaha finance - current portion	12	**20,313,219**	-
Cash and cash equivalents	15	**20,848,138**	7,001,527
Total current assets	24	**336,081,727**	339,552,017
Total assets		**689,010,806**	642,960,140
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	16	**400,000,000**	400,000,000
Statutory reserve	17	**6,293,980**	6,293,980
Accumulated deficit		**(103,263,327)**	(126,519,471)
Total shareholders' equity		**303,030,653**	279,774,509
Liabilities			
Non-current liabilities			
Long-term borrowings	18	**21,406,781**	56,505,943
Due to related parties - non-current portion	22	**-**	30,000,000
Lease liabilities - non-current portion	9	**5,453,110**	-
Employee termination benefits	19	**6,050,563**	6,537,409
Total non-current liabilities		**32,910,454**	93,043,352
Current liabilities			
Accounts payable		**34,668,359**	23,248,302
Accrued and other liabilities	20	**16,232,485**	13,616,913
Zakat payable	21	**24,695,945**	51,160,640
Current maturity of long-term borrowings	18	**53,466,635**	46,875,000
Due to related parties - current portion	22	**222,986,964**	135,241,424
Lease liabilities - current portion	9	**1,019,311**	-
Total current liabilities	24	**353,069,699**	270,142,279
Total liabilities		**385,980,153**	363,185,631
Total shareholders' equity and liabilities		**689,010,806**	642,960,140

The accompanying notes are an integral part of these financial statements.

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
Statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Accumulated deficit	Total
Balance at December 31, 2017		400,000,000	6,293,980	(64,545,126)	341,748,854
Adjustment on adoption of IFRS 9		-	-	(37,668,846)	(37,668,846)
Balance at January 1, 2018		400,000,000	6,293,980	(102,213,972)	304,080,008
Loss for the year, as restated	26	-	-	(26,564,564)	(26,564,564)
Other comprehensive income		-	-	2,259,065	2,259,065
Total comprehensive loss for the year, as restated	26	-	-	(24,305,499)	(24,305,499)
Balance at December 31, 2018, as restated		400,000,000	6,293,980	(126,519,471)	279,774,509
Profit for the year		-	-	24,020,316	**24,020,316**
Other comprehensive loss		-	-	(764,172)	**(764,172)**
Total comprehensive income for the year		-	-	23,256,144	**23,256,144**
Balance at December 31, 2019		**400,000,000**	**6,293,980**	**(103,263,327)**	**303,030,653**

The accompanying notes are an integral part of these financial statements.

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2019	2018
Cash flows from operating activities			
Loss before zakat		**(2,444,379)**	(12,681,324)
Adjustments for:			
Allowance for expected credit losses ("ECL") on net investment in finance leases and murabaha finance receivables	11, 12	**5,439,405**	2,629,369
Depreciation and amortization	8, 9, 10	**2,958,601**	1,877,213
Finance costs - net		**12,988,430**	12,784,796
Provision for employee termination benefits	19	**1,386,471**	1,801,762
Changes in working capital:			
(Increase) decrease in net investment in finance leases and murabaha finance		**(41,931,441)**	97,597,663
Decrease in prepayments and other receivables		**10,363,042**	11,753,688
Increase in accounts payable		**11,420,057**	9,754,274
Increase in accrued and other liabilities		**2,615,572**	1,840,203
Increase (decrease) in due to related parties		**107,757,246**	(21,852,949)
Cash generated from operations		**110,553,004**	105,504,695
Finance costs paid		**(13,175,613)**	(12,723,669)
Finance income received on short-term murabaha deposits		**175,477**	-
Employee termination benefits paid	19	**(2,637,489)**	(2,915,870)
Net cash inflow from operating activities		**94,915,379**	89,865,156
Cash flows from investing activities			
Payments for purchases of property and equipment	8	**(1,250,822)**	(2,097,111)
Payments for purchases of intangible assets	10	**(356,077)**	(289,728)
Net cash outflow from investing activities		**(1,606,899)**	(2,386,839)
Cash flows from financing activities			
Due to a related party		**(50,000,000)**	(40,000,000)
Repayment of long-term borrowings	18	**(48,507,527)**	(46,875,000)
Proceeds from long-term borrowings	18	**20,000,000**	-
Principal elements of lease payments	9	**(954,342)**	-
Net cash outflow from financing activities		**(79,461,869)**	(86,875,000)
Net increase in cash and cash equivalents		**13,846,611**	603,317
Cash and cash equivalents at beginning of year		**7,001,527**	6,398,210
Cash and cash equivalents at end of year	15	**20,848,138**	7,001,527
Non-cash operating, investing and financing activities:			
Right-of-use assets recorded against lease liabilities	2	**6,694,794**	-
Prepaid lease rentals adjusted against right-of-use assets	2	**357,500**	-

The accompanying notes are an integral part of these financial statements.

1 General information

Al Tayseer Arabian Company (the "Company") is principally engaged in providing various types of automotive finance services to the retail and corporate sector in Saudi Arabia. The Company is part of Al Jomaih Group (the "Group") and effectively 100% owned by Al Jomaih Automotive Company ("AAC") which is ultimately owned and controlled by Al Jomaih Holding Company ("AJHC", the "Holding Company" or the "Group").

During 2018, the Company amended its By-laws to include finance services for consumer products and small and medium sized entities ("SMEs"). The legal formalities for such changes were completed during the year ended December 31, 2019.

The Company is a closed joint stock company operating under Commercial Registration ("CR") number 2051060381 issued in Riyadh on Jumad ul Akhira 11, 1436 H (March 31, 2015). The accompanying financial statements include the accounts of the Company and its branch registered in Khobar under CR number 2051055139 dated Muharram 21, 1435 H (November 25, 2013). The registered address of the Company is P.O. Box 224, King Abdullah Street, Khobar 31411, Kingdom of Saudi Arabia.

2 Basis of preparation

2.1 Statement of compliance

The financial statements of the Company as at and for the year ended December 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

The financial statements of the Company as at and for the year ended December 31, 2018 were prepared in compliance with IFRS as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax). As per the SAMA circular number 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax were to be accrued through shareholders' equity under retained earnings.

On July 18, 2019, SAMA instructed the financing entities in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of comprehensive income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and with other standards and pronouncements that are issued by SOCPA (collectively referred to as "IFRS as endorsed in Kingdom of Saudi Arabia").

Accordingly, the Company changed its accounting treatment for zakat by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in Note 21) and the effects of this change are disclosed in Note 26 to the financial statements.

2.2 Historical cost convention

These financial statements are prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.

2.3 New and amended standards adopted by the Company

The Company has adopted a new accounting standard for all reporting periods commencing on or after January 1, 2019, the impact of the adoption of this standard is explained below.

(All amounts in Saudi Riyals unless otherwise stated)

IFRS 16 'Leases' ("IFRS 16")

The Company has adopted IFRS 16 from January 1, 2019 but did not restate comparative information or adjust the opening equity as allowed by the transitional provisions of IFRS 16. Accordingly, the Company has recorded lease liabilities and right-of-use assets arising from the application of IFRS 16 in the statement of financial position at January 1, 2019 and right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019. The Company's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.65%.

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous;
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made under the previously applicable accounting standards.

a) Measurement of lease liabilities

Reconciliation of operating lease commitments disclosed as at December 31, 2018 and lease liability recognised as at January 1, 2019:

	Saudi Riyals
Operating lease commitments disclosed as at December 31, 2018	361,077
Adjustments as a result of a different treatment of extension options	7,399,473
Discounted using the lessee's incremental borrowing rate at the date of initial application	(1,065,756)
Lease liabilities recognized as at January 1, 2019	6,694,794
Of which are:	
Current lease liabilities	831,002
Non-current lease liabilities	5,863,792
	6,694,794

b) Right-of-use assets

The recognized right-of-use assets relate to offices spaces for the Company across the Kingdom of Saudi Arabia. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

c) Adjustments recognised in the statement of financial position on January 1, 2019

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

- Right-of-use assets - increased by Saudi Riyals 7.0 million
- Trade and other receivable - decreased by Saudi Riyals 0.3 million (adjustment for prepaid rent)
- Lease liabilities - increased by Saudi Riyals 6.7 million

2.4 Standards, interpretations and amendments to published standards that will be effective for the periods commencing on or after January 1, 2020 and have not been early adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2019 reporting period and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below.

3.1 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Finance lease and murabaha finance income is recognized over the term of the lease using the effective yield method. The effective yield is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to its carrying amount.

3.2 Zakat and income tax

In accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"), the Company is subject to zakat. Zakat expense is charged to profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian income Tax law.

3.3 Foreign currency translations

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). These financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

3.4 Leases

3.4.1 Accounting policy applied from January 1, 2019

At the inception of the contract the Company assesses whether a contract is or contains a lease. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments payable at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of purchase options, if the Company is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- lease payments to be made under reasonably certain extension options.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets (ROU)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

3.4.2 Accounting policy applied until December 31, 2018

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the term of the lease.

3.5 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment, if any, except capital work-in-progress which is carried at cost, less accumulated impairment, if any. Depreciation is charged to profit or loss, using the straight-line method, to allocate the carrying value over the estimated useful lives.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development cost and any other cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is not depreciated.

3.6 Intangible assets

Intangible assets having definite lives are stated at cost less accumulated amortization and accumulated impairment, if any except for intangible assets under development which are carried at cost. Amortization is charged to profit or loss, using the straight-line method, to allocate the cost over the estimated useful lives. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to profit or loss in the period in which they arise.

Intangible assets principally comprise computer software and are amortized over ten years using the straight-line method.

3.7 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

3.8 Net investment in finance leases and murabaha finance

Finance leases

Leases in which the Company transfers substantially all the risk and rewards incidental to the ownership of an asset to the lessees are classified as finance lease. Finance leases are recorded at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments ("PVMLP") and subsequently measured at amortized cost using effective interest rate method.

Gross investment in finance leases include the total of future lease payments on finance leases including residual amount receivable ("Lease rentals"). Security deposits with right to offset against lease rentals are deducted from gross investments in finance lease. The difference between lease rentals and the cost of the leased asset including transaction costs is recorded as unearned finance income.

For presentation purposes, the unearned finance income and impairment provision for lease losses is deducted from the gross investment in finance leases.

Murabaha finance

Murabaha is an islamic form of financing wherein, the Company based on request from its customers, purchases specific commodities and sells them to the customers at a price equals to the Company's cost plus profit, payable on deferred installment basis.

3.9 Repossessed assets held for sale

The Company, in the ordinary course of its business, acquires certain vehicles against settlement of related net investment in finance leases. Such assets are considered as assets held for sale and are initially recorded at the net realizable value of repossessed assets.

Subsequent to the initial recognition, the Company re-assesses the net realizable value of such vehicles at each reporting date and changes in net realizable value and gains or losses on disposal are charged or credited to profit or loss.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and short-term highly liquid investments, with original maturities up to three months, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

3.11 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.12 Employee termination benefits

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the Labour Laws and Workman Laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefit scheme is not funded. Valuation of the obligations under the plan is carried out by an independent actuary based on the projected unit credit method. The costs relating to such plan primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits and unwinding of the liability at discount rates used are charged to profit or loss.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the statement of changes in shareholders' equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are charged to profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labour Laws of Saudi Arabia.

3.13 Financial instruments

3.13.1 Financial assets

(i) Classification

The Company's financial assets are classified and measured under the following categories:

- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value through other comprehensive income, gains and losses will be recorded in other comprehensive income.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of financial assets is as follows:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Company assesses on a forward looking basis the ECL associated with its financial assets.

For net investment in finance leases i.e. "lease receivables", the Company applies the simplified approach as permitted by IFRS 9 'Financial Instruments' ("IFRS 9"), which requires expected lifetime losses to be recognized from the initial recognition of the lease receivables.

The Company uses a provision matrix in the calculation of the ECL on lease receivables to estimate the lifetime ECL, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering probability of default and loss given default which were derived from historical data of the Company and are adjusted to reflect the expected future outcome which includes macro-economic factors such as inflation and gross domestic product growth rate.

For net investment in murabaha finance i.e. "murabaha finance receivables", the Company applies the three-stage model ('general model') for impairment based on changes in credit quality since initial recognition.

Stage 1 ("Performing") includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month ECL are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12 months.

Stage 2 ("Under-performing") includes financial instruments that have had a significant increase in credit risk since initial recognition, unless they have low credit risk at the reporting date, but that do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is more than 30 days past due. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL are the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 ("Non-performing") includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

The Company, when determining whether the credit risk on a financial instrument has increased significantly, considers reasonable and supportable information available (e.g. days past due, customer credit scoring, etc.), in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

Lease receivables and murabaha finance receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due.

Where financial assets are written off, the Company continues to engage enforcement activities to attempt to recover the amount due. Where recoveries are made, after write-off, are recognized as other income in profit or loss.

While cash and cash equivalents and long-term deposit are also subject to impairment requirements of IFRS 9, the identified impairment loss was immaterial.

3.13.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is derecognised when the obligation is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

3.13.3 Offsetting

Financial assets and liabilities are offset and net amounts are reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

3.14 Accounts payable and accruals

Liabilities are obligations to pay for goods and services received, whether or not billed to the Company. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

3.15 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

(All amounts in Saudi Riyals unless otherwise stated)

4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

a) Allowance for ECL

Allowance for ECL on finance lease, murabaha finance and other receivables is a significant area where management has used estimates, assumptions or exercised judgements. Refer Note 3.13, Note 11, Note 12 and Note 14 for details.

b) Lease term

Management has used judgement in determining lease terms in light of available extension options on its lease agreements. Refer Note 9 for details.

5 Income from financing activities

	2019	**2018**
Income from finance leases	**75,433,325**	72,407,471
Income from murabaha finance	**409,947**	-
	75,843,272	72,407,471

6 Other expenses

	Note	**2019**	**2018**
Communication		**1,254,425**	550,152
Governmental fees		**637,644**	779,602
Professional services		**610,520**	1,045,317
Advertising		**592,512**	989,600
Maintenance and cleaning		**372,675**	496,108
Administrative expenses charged by a shareholder	22	**2,181,737**	5,970,415
Other		**4,220,465**	5,205,419
		9,869,978	15,036,613

7 Finance costs

	Note	**2019**	**2018**
Finance costs on balances due to a related party	22	**2,851,528**	3,546,489
Finance costs on balances due to a shareholder	22	**5,840,709**	3,240,578
Finance costs on long-term borrowings	18	**3,728,959**	5,551,082
Bank charges		**436,053**	446,647
Interest charge on leases	9	**306,658**	-
		13,163,907	12,784,796

(All amounts in Saudi Riyals unless otherwise stated)

8 Property and equipment

	January 1, 2019	Additions	Transfers	December 31, 2019
2019				
Cost				
Buildings and leasehold improvements	1,410,462	-	938,028	**2,348,490**
Furniture, fixtures and office equipment	6,575,737	1,169,375	1,229,389	**8,974,501**
Motor vehicles	836,830	15,090	-	**851,920**
Capital work-in-progress	2,101,060	66,357	(2,167,417)	-
	10,924,089	1,250,822	-	**12,174,911**
Accumulated depreciation				
Buildings and leasehold improvements	(327,441)	(106,960)	-	**(434,401)**
Furniture, fixtures and office equipment	(3,147,864)	(1,199,752)	-	**(4,347,616)**
Motor vehicles	(770,898)	(24,759)	-	**(795,657)**
	(4,246,203)	(1,331,471)	-	**(5,577,674)**
	6,677,886			**6,597,237**

	January 1, 2018	Additions	Transfers	December 31, 2018
2018				
Cost				
Buildings and leasehold improvements	1,410,462	-	-	1,410,462
Furniture, fixtures and office equipment	6,346,796	-	228,941	6,575,737
Motor vehicles	796,220	-	40,610	836,830
Capital work-in-progress	273,500	2,097,111	(269,551)	2,101,060
	8,826,978	2,097,111	-	10,924,089
Accumulated depreciation				
Buildings and leasehold improvements	(256,805)	(70,636)	-	(327,441)
Furniture, fixtures and office equipment	(2,025,910)	(1,121,954)	-	(3,147,864)
Motor vehicles	(745,104)	(25,794)	-	(770,898)
	(3,027,819)	(1,218,384)	-	(4,246,203)
	5,799,159			6,677,886

Depreciation is charged to profit or loss over the following estimated economic useful lives:

	Number of years
• Buildings and leasehold improvements	10 - 33
• Furniture, fixtures and office equipment	4 - 5
• Motor vehicles	4

(All amounts in Saudi Riyals unless otherwise stated)

9 Leases

This Note provides information for leases where the Company is a lessee. For finance leases, where the Company is a lessor, see Note 11.

	January 1, 2019	Additions	Depreciation	December 31, 2019
Right-of-use assets				
Office spaces	7,052,294	-	(963,186)	**6,089,108**
Yard	-	731,969	(4,502)	**727,467**
	7,052,294	731,969	(967,688)	**6,816,575**

	2019
Lease liabilities	
As at 1 January	**6,694,794**
Additions	**731,969**
Repayments	**(1,261,000)**
	6,165,763
Interest expense	**306,658**
As at 31 December	**6,472,421**

Lease liabilities are presented as follows:

Lease liabilities - current portion	**1,019,311**
Lease liabilities - non-current portion	**5,453,110**
	6,472,421

Maturity profile of lease liabilities is disclosed in Note 24.

The Company did not have any short-term or low-value leases as at December 31, 2019 and January 1, 2019.

The total cash outflow for leases in 2019 was Saudi Riyals 1.3 million.

i) Additional information about the Company's leasing activities

The Company has leases in respect of various offices spaces and a yard. Rental contracts are typically made for fixed periods but may have extension options. Extension and termination options are included to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension options held are exercisable only by mutual agreement of the Company and the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Company considers other factors including business plan, historical lease durations and other costs associated with business disruption required to replace the leased asset.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

(All amounts in Saudi Riyals unless otherwise stated)

10 Intangible assets

	2019	2018
Cost		
January 1	**6,881,073**	6,591,345
Additions	**356,077**	289,728
December 31	**7,237,150**	6,881,073
Accumulated amortization		
January 1	**(1,157,243)**	(498,414)
Amortization for the year	**(659,442)**	(658,829)
December 31	**(1,816,685)**	(1,157,243)
	5,420,465	5,723,830

11 Net investment in finance leases

11.1 Reconciliation between gross and net investment in finance leases is as follows:

	2019	2018
Gross investment in finance leases	**879,350,624**	869,417,803
Unearned finance and insurance income	**(180,348,418)**	(168,912,325)
Present value of minimum lease payments receivable	**699,002,206**	700,505,478
Allowance for ECL	**(132,096,521)**	(126,941,967)
Net investment in finance leases	**566,905,685**	573,563,511
Net investment in finance lease - non-current portion	**(291,614,860)**	(271,363,108)
Net investment in finance lease - current portion	**275,290,825**	302,200,403

11.2 Maturity profile of gross investment in finance and present value of minimum lease payments receivables is as follows:

	2019	2018
Gross investment in finance leases		
Within one year	**422,273,403**	438,711,598
From one to three years	**329,178,772**	293,626,539
Three to five years	**127,898,449**	137,079,666
	879,350,624	869,417,803
Present value of minimum lease payments receivable		
Within one year	**339,437,227**	369,083,866
From one to three years	**251,579,948**	216,168,721
Three to five years	**107,985,031**	115,252,891
	699,002,206	700,505,478

(All amounts in Saudi Riyals unless otherwise stated)

11.3 Movement in allowance for ECL on lease receivables is as follows:

	2019	2018
As at January 1	**126,941,967**	129,556,173
Additions	**5,154,554**	2,629,369
Write-offs	-	(5,243,575)
As at December 31	**132,096,521**	126,941,967

The Company applies simplified approach under IFRS 9 to measure lifetime ECL for all lease receivables.

To measure the ECL, lease receivables have been grouped based on shared credit risk characteristics for respective customer base portfolio and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

December 31, 2019	Current	1 - 90 days past due	91- 180 days past due	181-270 days past due	271 - 365 days past due	More than 365 days past due	Total
Expected loss rate	1% - 4%	2% - 8%	12% - 26%	24% - 48%	33% - 59%	33% - 100%	
Lease receivables	538,469,338	93,890,657	21,971,062	16,835,045	10,034,548	198,149,974	879,350,624
Loss allowance	11,514,870	4,586,538	4,385,711	6,330,819	4,754,847	100,523,736	132,096,521

December 31, 2018	Current	1 - 90 days past due	91- 180 days past due	181-270 days past due	271 - 365 days past due	More than 365 days past due	Total
Expected loss rate	1% - 4%	3% - 7%	13% - 23%	25% - 36%	39% - 44%	39% - 100%	
Lease receivables	431,107,995	141,023,894	47,839,858	29,756,338	24,148,293	195,541,425	869,417,803
Loss allowance	10,076,900	6,902,928	8,818,975	9,814,846	9,765,373	81,562,945	126,941,967

The Company currently substantially generates its revenues from leasing of motor vehicles in Kingdom of Saudi Arabia. Finance leases receivables of the Company are related to corporate and retail customers.

The credit risk on net investment in finance leases is generally mitigated by the retention of legal title on leased assets. Accordingly, such assets are collateralized against the lease receivables. As at December 31, 2019, the estimated value of such collateralized assets, amounted to Saudi Riyals 566.8 million (2018: Saudi Riyals 570.6 million).

(All amounts in Saudi Riyals unless otherwise stated)

12 Net investment in murabaha finance

Reconciliation between gross and net investment in murabaha finance is as follows:

	2019	2018
Gross investment in murabaha finance	**48,668,475**	-
Unearned murabaha finance income	**(5,233,762)**	-
	43,434,713	-
Allowance for ECL	**(284,851)**	-
Net investment in murabaha finance	**43,149,862**	-
Net investment in murabaha finance - non-current portion	**(22,836,643)**	-
Net investment in murabaha finance - current portion	**20,313,219**	-

During 2019, the Company started Murabaha finance after obtaining license from SAMA. As at December 31, 2019, the outstanding balances are considered performing. The provision on the outstanding balance was recognised based on ECL.

13 Financial asset at fair value through other comprehensive income

The Company holds 89,285 shares in Saudi Finance Leasing Contracts Registry Company, a Saudi joint stock company (the "investee Company") registered in the Kingdom of Saudi Arabia Saudi for lease contracts registration, which represents 2% of total share capital of the investee Company. The investee Company is currently in development stage and has not yet started its operations. The management believes that the carrying value of the investment approximates to the fair value at December 31, 2019 and 2018.

14 Prepayments and other receivables

	Note	2019	2018
Insurance claims receivable		**14,957,540**	23,811,841
Prepaid insurance		**469,902**	324,535
Repossessed assets held for resale		**372,275**	-
Due from related parties	22	**370,078**	1,252,226
Other receivables		**5,538,400**	7,040,135
		21,708,195	32,428,737
Allowance for ECL		**(2,078,650)**	(2,078,650)
		19,629,545	30,350,087

Movement in allowance for ECL on insurance claims and other receivables are as follows:

	2019	2018
January 1	**2,078,650**	5,401,621
Write-offs	-	(3,322,971)
December 31	**2,078,650**	2,078,650

At December 31, 2019, the Company had net outstanding insurance claims receivable amounting to Saudi Riyals 9.7 million (December 31, 2018: Saudi Riyals 18.7 million) from an insurance service provider with which the Company had suspended its business activities. The remaining balance is expected to be settled during 2020 based on the Company's negotiations with such insurance service provider.

(All amounts in Saudi Riyals unless otherwise stated)

15 Cash and cash equivalents

	2019	2018
Cash at banks	**13,376,368**	6,854,022
Term deposits	**7,200,000**	-
Cash in hand	**271,770**	147,505
	20,848,138	7,001,527

Term deposits are murabaha deposits placed with a commercial bank, with a maturity period of three months or less from date of placement and yield financial income at 1.50% per annum.

16 Share capital

The share capital of the Company as of December 31 comprised 400,000 shares stated at Saudi Riyals 1,000 per share, owned as follows:

Shareholder	Country of incorporation/ nationality	Shareholding percentage 2019	Shareholding percentage 2018
AAC	Saudi Arabia	**96**	96
Al Jomaih Energy & Water Company Limited	Saudi Arabia	**1**	1
Al Jomaih Rent-a-Car Company	Saudi Arabia	**1**	1
Mr. Mohammed Abdul Aziz Abdullah Al Jomaih	Saudi	**1**	1
Mr. Hamad Abdul Aziz Abdullah Al Jomaih	Saudi	**1**	1
		100	100

17 Statutory reserve

In accordance with the Company's By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the net income for the year to a statutory reserve until it equals 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company. No transfer was made in 2019 and 2018 due to net loss for such years.

18 Long-term borrowings

	Note	2019	2018
Commercial bank	18.1	**56,505,943**	103,380,943
Social Development Bank ("SDB")	18.2	**18,367,473**	-
		74,873,416	103,380,943
Long-term borrowings are presented as follows:			
Long-term borrowings		**21,406,781**	56,505,943
Current maturity shown under current liabilities		**53,466,635**	46,875,000
		74,873,416	103,380,943

The movement in long-term borrowings is as follows:

	2019	**2018**
January 1	**103,380,943**	150,255,943
Proceeds from long-term borrowings	**20,000,000**	-
Finance costs for the year	**3,728,959**	5,551,082
Repayment of principal	**(48,507,527)**	(46,875,000)
Repayment of finance costs	**(3,728,959)**	(5,551,082)
December 31	**74,873,416**	103,380,943

18.1 Commercial bank loan

During 2016, the Company entered into a Murabaha Financing Agreement with a commercial bank amounting to Saudi Riyals 187.5 million secured against lease receivables. The loan is repayable in 48 equal monthly installments. The loan is denominated in Saudi Riyals and bears finance costs based on prevailing market rates. The covenants of the borrowing facility require the Company to maintain certain level of financial condition and places limitation on dividends distribution, change in shareholding structure and disposal of its assets.

As at December 31, 2019, the Company has assigned lease receivables to the bank amounting to Saudi Riyals 70.6 million representing 125% of the principal loan balance outstanding at December 31, 2019 (2018: Saudi Riyals 128.8 million).

The Company has also opened a deposit/cash margin account with the bank with an equivalent of 10% of the total loan utilized pledged in favor of the bank during the term of the loan agreement.

The loan is secured by corporate guarantee from AAC in addition to joint and several guarantees signed by shareholders of the Holding Company.

The aggregate maturity of the outstanding loan is spread through 2021.

As of December 31, 2019, the Company was not in compliance with a loan covenant related to maintaining current ratio of not less than 1:1, as laid out in the Agreement, however, the bank has provided waiver to the Company in respect of such non-compliance prior to year-end.

18.2 SDB loan

During the year ended December 31, 2019, the Company entered into a financing agreement with SDB amounting to Saudi Riyals 20 million. The loan is repayable in 36 equal monthly installments. The loan is denominated in Saudi Riyals and bears finance costs at nominal rates. In addition to other conditions laid out by SDB, the Company is required to utilise such funds to provide finance services to SMEs within a defined range of finance rates.

The aggregate maturity of the outstanding loan is spread through 2022.

(All amounts in Saudi Riyals unless otherwise stated)

18.3 Maturity profile of long-term borrowings

The maturity profile of long-term borrowings is as follows:

	2019	2018
Less than 1 year	**53,466,635**	46,875,000
Between 1 and 3 years	**21,406,781**	56,505,943
More than 3 years	**-**	-
	74,873,416	103,380,943

19 Employee termination benefits

19.1 General description of the plan

The Company operates a defined benefit plan in line with the Labour Laws requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and the benefit payment obligation are met when due. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as of December 31, 2019.

19.2 Movement in net liability recognized in the statement of financial position

	2019	2018
January 1	**6,537,409**	9,910,582
Current service cost	**1,078,534**	1,520,935
Interest cost	**307,937**	280,827
Remeasurements	**764,172**	(2,259,065)
Benefits paid	**(2,637,489)**	(2,915,870)
December 31	**6,050,563**	6,537,409

19.3 Amounts recognized in statement of comprehensive income

	2019	2018
Current service cost	**1,078,534**	1,520,935
Interest expense	**307,937**	280,827
Total amount recognised in profit or loss	**1,386,471**	1,801,762
Remeasurements		
Gain from change in demographic assumptions	**-**	(72,406)
Loss (gain) from change in experience adjustments	**764,172**	(2,186,659)
Total amount recognised in other comprehensive income	**764,172**	(2,259,065)

(All amounts in Saudi Riyals unless otherwise stated)

19.4 Key actuarial assumptions

	2019	2018
Discount rate	**2.95%**	4.50%
Salary growth rate	**2.95%**	4.50%
Retirement age	**60 years**	60 years

19.5 Sensitivity analysis for actuarial assumptions

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	0.5%	(272,496)	295,160
Salary growth rate	0.5%	0.5%	293,675	(273,774)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

19.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 9.36 years (2018: 9.18 years). The expected maturity analysis of employee benefit obligations (undiscounted) is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
December 31, 2019	**420,968**	**591,935**	**2,113,805**	**4,496,368**	**7,623,076**
December 31, 2018	458,819	619,325	2,277,178	6,108,863	9,464,185

20 Accrued and other liabilities

	2019	2018
Advances from customers	**10,519,336**	9,300,212
Salaries and benefits	**489,777**	913,510
Accrued expenses	**5,223,372**	3,403,191
	16,232,485	13,616,913

21 Zakat matters

Previously, zakat and income tax was recognized in the statement of changes in shareholders' equity as per the SAMA circular number 381000074519 dated April 11, 2017. As per SAMA instructions dated July 18, 2019, the zakat and income tax shall be recognized in the statement of comprehensive income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of the above change are disclosed in Note 26 to the financial statements. The change has resulted in increase of reported total comprehensive loss of the Company for the year ended December 31, 2018 by Saudi Riyals 13.9 million. The change has had no impact on the statement of cash flows for the year ended December 31, 2018.

(All amounts in Saudi Riyals unless otherwise stated)

21.1 Zakat base

During the year ended December 31, 2019, the GAZT had provided a revised formula for computation of zakat from the year 2019 and onwards for companies involved in financing activities. Provision for zakat is calculated at 2.578% of the zakat base subject to minimum and maximum capping / threshold of 4 times or 8 times of net loss before zakat. Previously, provision for zakat was calculated at 2.5% of zakat base and adjusted net income, whichever is higher. The Company has computed zakat charge for the year ended December 31, 2019 based on such revised formula which has been recognized in the statement of comprehensive income.

The principal elements of the approximate zakat base are as follows:

	2019
Equity at beginning of year	**279,774,509**
Non-current liabilities and borrowings	**26,859,891**
Total Financing Resources	**306,634,400**
Total assets	**689,010,806**
Assets subject to Zakat ("Zakat assets")	**342,898,302**
Zakat assets / Total assets	**49.77%**
Approximate zakat base	**152,601,983**

21.2 Provision for zakat

	2019	**2018**
January 1	**51,160,640**	37,277,400
Provisions:		
For current year	**3,934,079**	13,883,240
Adjustment related to prior years	**(30,398,774)**	-
December 31	**24,695,945**	51,160,640

21.3 Status of zakat assessments

Until 2017, the Company's zakat declaration was filed at the consolidated level of the Group. For all periods starting from January 1, 2018 the Company intends to file a separate zakat return. The Company is currently in the process of filing its zakat return for the year 2018.

Subsequent to the year ended December 31, 2019, the Company has received a settlement notice from the GAZT for the years 2015 to 2017 against which the Company had maintained a provision of Saudi Riyals 37.3 million based on zakat assessments as previously finalized by the GAZT. As per the notice, the Company is required to pay Saudi Riyals 6.9 million as final settlement of zakat liability for the years 2015 through 2017. The Company has therefore adjusted the additional provision for zakat maintained for such years in the accompanying financial statements.

22 Related party matters

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest ("other related parties").

(All amounts in Saudi Riyals unless otherwise stated)

22.1 Related party transactions

Significant transactions with related parties included in the financial statements are summarized below:

Nature of transactions	Relationship	2019	2018
Revenue recognised	Related Party	**3,220,761**	812,095
Purchase of vehicles	Shareholder	**150,383,496**	143,528,446
Shared service costs charged	Shareholder	**2,181,737**	5,970,415
Finance costs	Shareholder	**5,840,709**	3,240,578
Finance costs	Ultimate shareholder	**2,851,528**	3,546,489

22.2 Key management personnel compensation

	2019	2018
Salaries and other employee benefits	**5,059,797**	4,208,783
Employee termination benefits	**621,108**	448,126

22.3 Related party balances

(a) Due from related parties

	2019	2018
Al Jomaih Rent-a-Car Company	**40,532,540**	24,387,851
Al Jomaih Equipment Company Limited	**266,664**	148,992
Al Jomaih Tyres Company	**103,414**	70,744
Al Jomaih Bottling Plants Limited	-	857,094
Al Jomaih Automotive AC Delco	-	175,396
	40,902,618	25,640,077

(b) Due to related parties

	2019	2018
AJHC	**23,677,905**	70,230,360
Less: non-current portion	-	(30,000,000)
Current portion	**23,677,905**	40,230,360
AAC	**199,124,223**	95,011,064
Al Jomaih Bottling Plants Limited	**184,836**	-
Total current portion	**222,986,964**	135,241,424

Amounts due to AAC are set off on daily basis based on the collections made by the AAC on behalf of the Company. These amounts bear finance costs at prevailing variable market rates.

Balance due to AJHC is repayable in equal quarterly installments up to September 2020. These amounts bear finance costs at prevailing variable market rates. In accordance with the agreed practice between the Company and AJHC, a receivable balance of Saudi Riyals 8.5 million has been offset from the current portion of the above balance as at December 31, 2019 (2018: Saudi Riyals 11.9 million).

The aggregate maturity of the outstanding balance as at December 31, 2019 and 2018 is spread through 2019 and 2020.

(All amounts in Saudi Riyals unless otherwise stated)

23 Fair values of financial assets and financial liabilities

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted market prices (unadjusted) in active markets for identical financial assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs that are unobservable.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

All financial assets and financial liabilities are categorised as held at amortized cost, except for financial assets at fair value through other comprehensive income. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values. The breakdown of these financial assets and liabilities is as follows:

	Note	2019	2018
Financial assets			
FVTOCI - Level 3			
Financial asset at fair value through other comprehensive income	13	**892,850**	892,850
At amortised cost			
Long-term deposit	18	**18,750,449**	18,750,449
Net investment in finance leases	11	**566,905,685**	573,563,511
Net investment in murabaha finance	12	**43,149,862**	-
Insurance claims, due from related parties and other receivables	14	**19,736,242**	27,677,562
Cash and cash equivalents	15	**20,848,138**	7,001,527
		670,283,226	627,885,899
Financial liabilities - at amortised cost			
Accounts payable		**34,668,359**	23,248,302
Due to related parties	22	**222,986,964**	165,241,424
Accrued and other liabilities	20	**16,232,485**	13,616,913
Lease liabilities	9	**6,472,421**	-
Long-term borrowings	18	**74,873,416**	103,380,943
		355,233,645	305,487,582
Net financial assets		**315,049,581**	322,398,317

24 Financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and commission rate risk), credit risk and liquidity risk. The Company's overall risk management program, which is carried out by senior management, focuses on having cost effective funding as well as managing financial risks to minimize earning volatility and provide maximum return to shareholders. The risks faced by the Company and their respective mitigating strategies are summarized below.

24.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause a financial loss to the Company. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The management analyses credit risk into the following categories:

Net investment in finance leases and murabaha finance

Investment in finance lease and murabaha finance receivables is generally exposed to significant credit risk. Therefore, the Company has established procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, obtaining collateral such as title on leased assets, and personal guarantees whenever considered necessary. The Company also follows a credit classification mechanism as a tool to manage the quality of credit risk of the lease and murabaha portfolio and grades the individual customers based on both subjectivity and credit history through Saudi credit bureau taking into consideration factors such as customer credit standing, financial strength and security. However, for the Small and Medium Sized Entities ("SME") and corporate customers, the Company focuses on the financial position, cash flows, working capital management, debt to shareholders' equity, turnover, historical financial and operational performance, personal guarantee and management quality.

The Company monitors customers' grading on a regular basis. The management believes that adequate provision has been accounted for, where required to address the credit risk. Further details related to net investment in finance leases and murabaha finance and related risk are presented in Note 3.13, Note 11 and Note 12 to these financial statements.

Cash and cash equivalents and other receivables

Cash is placed with banks having good credit ratings, and therefore are not subject to significant credit risk. Other receivables are not exposed to significant credit risk.

24.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has no significant exposure to currency risk as it mainly deals in Saudi Riyals which is also the functional currency of the Company.

24.3 Fair value and cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. As disclosed in Note 18 and Note 22, the Company has interest bearing commercial bank borrowings of Saudi Riyals 56.5 million as at December 31, 2019 (2018: Saudi Riyals 103.4 million), interest bearing SDB borrowing of Saudi Riyals 18.4 million as at December 31, 2019 (2018: Nil) and certain interest-bearing amounts due to related parties amounting to Saudi Riyals 222.8 million (2018: Saudi Riyals 165.2 million). Management reviews the exposure of the Company to interest rate risks on a regular basis. A 1% increase in the market rate would result in an additional charge to profit or loss of Saudi Riyals 2.8 million (2018: Saudi Riyals 3.3 million).

As at the date of statement of financial position, the Company has commission bearing financial assets amounting to Saudi Riyals 617.3 million. However, the commission rates have already been agreed with the respective customers upon inception of the respective contracts.

The Company's management monitors the fluctuations in interest rates on regular basis and believes that the interest rate risk is not material.

24.4 Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial instruments are not exposed to price risk.

(All amounts in Saudi Riyals unless otherwise stated)

24.5 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet financial commitments. As at December 31, 2019, the Company's contractual maturities of financial liabilities are Saudi Riyals 331.3 million, Saudi Riyals 23.8 million, Saudi Riyals 2.2 million and Saudi Riyals 1.1 million for up to one year, one to three years, three to five years and more than five years, respectively (2018: Saudi Riyals 225.0 million, Saudi Riyals 88.5 million, Nil and Nil for up to one year, one to three years, three to five years and more than five years, respectively). The Company manages liquidity risk through availability of financing through its related party and borrowings from commercial banks. As at statement of financial position date, based on the following maturity profile, the Company does not have significant exposure to liquidity risk. The maturity profile of the Company's financial assets and liabilities is as follows:

	Up to 1 year	1 -3 years	3 -5 years	More than 5 years	Total
Financial assets - commission bearing:					
Gross investment in finance leases	422,273,403	329,178,772	127,898,449	-	879,350,624
Gross investment in murabaha finance	24,282,631	24,385,844	-	-	48,668,475
Cash and cash equivalents	7,200,000	-	-	-	7,200,000
Financial assets - non-commission bearing:					
Cash and cash equivalents	13,648,138	-	-	-	13,648,138
Other receivables	19,736,242	-	-	-	19,736,242
Long term deposit	-	18,750,449	-	-	18,750,449
2019	**487,140,414**	**372,315,065**	**127,898,449**	-	**987,353,928**
2018	475,737,377	312,376,988	137,079,666	-	925,194,031
Financial liabilities - commission bearing:					
Due to related parties	224,058,820	-	-	-	224,058,820
Long term borrowings	55,209,577	21,569,373	-	-	76,778,950
Lease liabilities	1,101,000	2,202,000	2,202,000	1,101,000	6,606,000
Financial liabilities - non-commission bearing:					
Accounts payable	34,668,359	-	-	-	34,668,359
Accrued and other liabilities	16,232,485	-	-	-	16,232,485
2019	**331,270,241**	**23,771,373**	**2,202,000**	**1,101,000**	**358,344,614**
2018	224,958,839	88,510,943	-	-	313,469,782
Net financial assets (liabilities)					
Commission bearing	173,386,637	329,793,243	125,696,449	(1,101,000)	627,775,329
Non-commission bearing	(17,516,464)	18,750,449	-	-	1,233,985
2019	**155,870,173**	**348,543,692**	**125,696,449**	**(1,101,000)**	**629,009,314**
2018	250,778,538	223,866,045	137,079,666	-	611,724,249

(All amounts in Saudi Riyals unless otherwise stated)

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

At December 31, 2019, the Company's current liabilities exceeded its current assets by Saudi Riyals 17.0 million which is primarily due to amounts payable to AAC, a shareholder of the Company, which has confirmed to the Company that repayment of such balance will be required after considering the liquidity position of the Company.

25 Capital risk management

The Company's objective when managing capital is to:

- safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

Borrowings comprise long-term borrowings from a commercial bank, borrowings from SDB and loan balance due to AJHC. The management analyzes the gearing ratio as follows:

	2019	2018
Shareholders' equity	**303,030,653**	279,774,509
Borrowings	**98,551,321**	173,611,303
Total	**401,581,974**	453,385,812
Gearing ratio (borrowings as a percentage of total)	**24.54%**	38.29%

The management does not consider lease liabilities for the purpose of calculating its gearing ratio.

Under the terms of the borrowing facilities, the Company is required to comply with the following financial covenants:

a) Current ratio should not be less than 1:1
b) Borrowing leverage ratio should not be more than 2:1
c) Lending leverage ratio should not be more than 3:1

The Company has complied with all financial covenants except maintaining current ratio of not less 1:1, as at December 31, 2019. Also see Note 18.1.

(All amounts in Saudi Riyals unless otherwise stated)

26 Restatement due to change in accounting treatment relating to zakat

The change in the accounting treatment for zakat (as explained in Note 2.1 and Note 21) has the following impact on the line items of the statements of comprehensive income and changes in shareholders' equity:

For the year ended December 31, 2018:

Financial statements impacted	Account	As previously stated for the year ended December 31, 2018	Effect of restatement relating to zakat	As restated for the year ended December 31, 2018
Statement of changes in shareholders' equity	Zakat charge for the year	(13,883,240)	13,883,240	-
Statement of comprehensive income	Zakat expense	-	(13,883,240)	(13,883,240)

The above change in accounting policy did not have any effect on the statement of financial position as of December 31, 2018 and the statement of cash flows for the year ended December 31, 2018.

27 Comparative figures

For better presentation, certain amounts in the comparative financial statements have been reclassified to conform to 2019 presentation as illustrated below. The change in classification of expenses in the statement of comprehensive income is as a result of management opting to present its expenses by nature instead of function. Such reclassification did not have any effect on the statement of financial position as of December 31, 2018 and the statements of changes in shareholders' equity and cash flows the year then ended.

	Amount previously reported	Reclassification	Amount after reclassification
Statement of comprehensive income			
Selling and marketing	(22,958,219)	22,958,219	-
General and administrative	(18,897,364)	18,897,364	-
Salaries and other benefits	-	(22,167,102)	(22,167,102)
Commissions and sales promotion	-	(2,774,655)	(2,774,655)
Depreciation and amortization	-	(1,877,213)	(1,877,213)
Other expenses	-	(15,036,613)	(15,036,613)
	(41,855,583)	-	(41,855,583)
Statement of financial position			
Prepayments and other receivables	31,242,937	(892,850)	30,350,087
Financial asset at fair value through other comprehensive income	-	892,850	892,850
	31,242,937	-	31,242,937

28 Date of authorization of issue

The accompanying financial statements were authorized for issuance by the Board of Directors on March 10, 2020.