

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
31 DECEMBER 2020

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

INDEX	PAGE
Independent auditor's report	-
Statement of financial position	1
Statement of profit or loss and other comprehensive income	2
Statement of changes in shareholders' equity	3
Statement of cash flows	4
Notes to the financial statements	5 – 35



KPMG Al Fozan & Partners
Certified Public Accountants
1st Floor, Battoyor Tower
King Saud Road, Al Safa
P.O. Box 4803
Al Khobar, 31952
Kingdom of Saudi Arabia

Telephone +966 13 816 2999
Fax +966 13 816 2888
Internet www.kpmg.com/sa
Licence No. 46/11/323 issued 11/3/1992

Independent Auditor's Report

To the Shareholders of Al Tayseer Arabian Company

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Al Tayseer Arabian Company ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Qualified Opinion

As described in Note 2.7 to the financial statements, the Company has voluntarily changed the accounting policy for the expected credit loss (ECL) of lease receivables from lifetime ECL to general approach during the year 2020 without having retrospective impact in the financial statements for the year ended 31 December 2020. This accounting treatment is not in accordance with IAS 8 "Accounting policies change in estimates and errors" which requires to account for the change in accounting policy retrospectively by adjusting the opening balances of expected loss provision for the earliest period presented, instead the total impact is recognized in current year. The Company's management believes that it was unable to obtain a reliable estimate of the impact for prior years due to unavailability of data. Accordingly, it was impracticable for us to quantify the financial effects of the adjustments on the expected credit losses, retained earnings, and profit for the year, profit and expected credit losses for corresponding year and opening balance of retained earning for the earliest period presented.

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 are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified audit opinion on those statements on 10 March 2020.



Independent Auditor's Report

To the Shareholders of Al Tayseer Arabian Company (continued)

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, 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, Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 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 judgement 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, then 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.

Independent Auditor's Report

To the Shareholders of Al Tayseer Arabian Company (continued)

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

- 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 of Al Tayseer Arabian ("the Company").

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.

**For KPMG Al Fozan & Partners
Certified Public Accountants**



Abdulaziz Abdullah Alnaim
License No: 394



Al Khobar 20 Rajab 1442H
Corresponding to: 4 March 2021G

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2020
(Expressed in Saudi Riyals)

Assets	Note	31 December 2020	31 December 2019
Non-current assets			
Property and equipment	3	5,864,718	6,597,237
Right-of-use assets	10	5,359,064	6,816,575
Intangible assets	4	4,830,304	5,420,465
Long term deposit	9	18,750,449	18,750,449
Net investment in finance lease	5	340,020,558	291,614,860
Net investment in murabha finance	5	33,906,583	22,836,643
Investment	8	10,938,981	892,850
Total non-current assets		419,670,657	352,929,079
Current assets			
Prepayments and other current assets	6	16,800,780	19,629,545
Current maturity of net investment in finance lease	5	244,154,955	275,290,825
Current maturity of net investment in murabha finance	5	44,902,616	20,313,219
Cash and cash equivalents	7	75,311,368	20,848,138
Total current assets		381,169,719	336,081,727
Total assets		800,840,376	689,010,806
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	12	400,000,000	400,000,000
Statutory reserve	13	6,293,980	6,293,980
Accumulated losses		(126,070,005)	(103,263,327)
Total shareholders' equity		280,223,975	303,030,653
Liabilities			
Non-current liabilities			
Long term borrowings	9	131,451,005	21,406,781
Lease liabilities	10	4,357,151	5,453,110
Employees' end of service benefits	15	5,203,685	6,050,563
Total non-current liabilities		141,011,841	32,910,454
Current liabilities			
Accounts payables		21,441,180	34,668,359
Accrued expenses and other liabilities	16	23,967,016	16,232,485
Due to related parties	11	152,492,412	222,986,964
Current maturity of lease liabilities	10	1,123,591	1,019,311
Provision for Zakat	14	19,378,448	24,695,945
Short term borrowing	9	24,233,207	-
Current maturity of long-term borrowings	9	136,968,706	53,466,635
Total current liabilities		379,604,560	353,069,699
Total liabilities		520,616,401	385,980,153
Total shareholders' equity and liabilities		800,840,376	689,010,806

These financial statements were approved by the Board of Directors and have been signed on their behalf by:

Ibrahim Al Jomaih
Chairman

Zaid Abdullah Al-Yaesh
Chief Executive Officer

Reda A. Sheta
Accounting Manager

The accompanying notes from 1 to 24 appearing on pages 5 to 35 form an integral part of these financial statements.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

	Note	For the year ended 31 December	
		2020	2019
INCOME			
Finance lease income, net	17	75,040,514	75,843,272
EXPENSES			
Insurance and other cost		(22,038,420)	(26,035,488)
Salaries and employee related expenses		(20,396,383)	(22,192,635)
Provision for expected credit losses	5	(37,464,970)	(5,439,405)
Financial charges	19	(11,992,616)	(13,163,907)
Depreciation and amortization		(3,344,663)	(2,958,601)
Commissions and sales promotion		(1,809,706)	(1,656,891)
Other general and administrative expenses	18	(9,537,288)	(9,869,978)
Total expenses		(106,584,046)	(81,316,905)
Other income			
Other income, net		9,914,129	2,853,777
Financial income		114,870	175,477
Loss before Zakat		(21,514,533)	(2,444,379)
Zakat expense	14	(1,552,482)	26,464,695
(Loss) / profit for the year		(23,067,015)	24,020,316
Other comprehensive income/ (loss) for the year		260,337	(764,172)
Total comprehensive (loss)/ income for the year		(22,806,678)	23,256,144
(Loss)/ earnings per share – basic and diluted	23	(0.57)	0.58

The accompanying notes from 1 to 24 appearing on pages 5 to 35 form an integral part of these financial statements.

AI TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

	Share capital	Statutory reserve	Accumulated losses	Total
Balance as at 1 January 2019	400,000,000	6,293,980	(126,519,471)	279,774,509
Profit for the year	-	-	24,020,316	24,020,316
Other comprehensive income	-	-	(764,172)	(764,172)
Total comprehensive loss for the year	-	-	23,256,144	23,256,144
Balance as at 31 December 2019	400,000,000	6,293,980	(103,263,327)	303,030,653
Balance as at 1 January 2020	400,000,000	6,293,980	(103,263,327)	303,030,653
Loss for the year	-	-	(23,067,015)	(23,067,015)
Other comprehensive income	-	-	260,337	260,337
Total comprehensive loss for the year	-	-	(22,806,678)	(22,806,678)
Balance as at 31 December 2020	400,000,000	6,293,980	(126,070,005)	280,223,975

The accompanying notes from 1 to 24 appearing on pages 5 to 35 form an integral part of these financial statements.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities			
Loss before Zakat		(21,514,533)	(2,444,379)
<i>Adjustments for:</i>			
Government grant		(5,334,554)	-
Loss on modification of lease receivable	17	12,031,194	-
Allowance for expected credit losses	5	37,464,970	5,439,405
Depreciation and amortization		3,451,657	2,958,601
Finance cost	19	11,992,616	12,988,430
Employees' end of service benefits	15	1,007,597	1,386,471
Gain on sale of fixed assets		(59,308)	-
Gain on investment at fair value through profit or loss	8	(46,131)	-
		<u>38,993,508</u>	<u>20,328,528</u>
<i>Changes in:</i>			
Net investment in finance lease		(102,425,329)	(41,931,441)
Prepayments and other current assets		2,828,765	10,363,042
Due to related parties		(76,179,287)	107,757,246
Trade payables		(13,227,179)	11,420,057
Accrued expenses and other liabilities		4,245,465	2,615,572
		<u>(145,764,057)</u>	<u>110,553,004</u>
Finance income received on short-term deposits		-	175,477
Finance cost paid		(2,619,122)	(13,175,613)
Employee termination benefits paid	15	(1,781,220)	(2,637,489)
Zakat paid	14	(6,869,979)	-
Net cash (used in) / generated from operating activities		<u>(157,034,378)</u>	<u>94,915,379</u>
Cash flows from investing activities			
Acquisition of property and equipment	3	(781,599)	(1,250,822)
Acquisition of intangible assets	4	(200,663)	(356,077)
Proceeds from disposal of property and equipment		78,802	-
Investments in fair value through profit or loss	8	(10,000,000)	-
Net cash used in investing activities		<u>(10,903,460)</u>	<u>(1,606,899)</u>
Cash flows from financing activities			
Due to a related party		-	(50,000,000)
Proceeds from long-term borrowings	9	228,616,687	20,000,000
Proceeds from short term borrowings	9	24,233,207	-
Repayments of long-term borrowings	9	(29,511,426)	(48,507,527)
Principal payment of the lease liabilities		(937,400)	(954,342)
Cash generated from / (used in) financing activities		<u>222,401,068</u>	<u>(79,461,869)</u>
Net increase in cash and cash equivalents		<u>54,463,230</u>	<u>13,846,611</u>
Cash and cash equivalents at beginning of the year		<u>20,848,138</u>	<u>7,001,527</u>
Cash and cash equivalent at end of the year	7	<u>75,311,368</u>	<u>20,848,138</u>
Non-cash operating, investing and financing activities:			
Right-of-use assets recorded against lease liabilities		585,272	6,694,794
Derecognition of lease liability and right-of- use assets		(106,994)	357,500
Government grant recognised		(8,823,621)	-

The accompanying notes from 1 to 24 appearing on pages 5 to 35 form an integral part of these financial statements.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

1. CORPORATE 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”).

The Company is a Saudi closed joint stock company operating under Commercial Registration (“CR”) number 2051060381 issued in Riyadh on Jumad ul Thani 11, 1436 H (March 31, 2015). The accompanying financial statements as at and for the year ended 31 December 2020 comprise the Company and its branch registered in Kingdom of Saudi Arabia under CR number 2051055139 dated: Muharram 21 1435 H (November 25, 2013).

The registered address of the Company is P.O. Box 224, King Abdulla Street, Khobar 31411, Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

2.1 Statement of compliance

The financial statements of the Company as at and for the year ended 31 December 2020 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”).

2.2 Basis of preparation

These financial statements have been prepared on a historical cost basis, using going concern assumption, except for investments which are measured at fair value and employees’ end of service benefits which is measured at projected unit credit method.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Saudi Riyals (SR) which is the Company’s functional and presentation currency. All financial information presented in Saudi Riyals has been rounded to the nearest Riyal, unless otherwise stated.

2.4 Significant accounting judgments, estimates and assumptions

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities.

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, murabha finance and other receivables is a significant area where management has used estimates, assumptions or exercised judgements. Refer Note 2.6 (m) and 2.6 A (a) for details.

b) Employees’ end of service benefits

The cost of end of service defined benefit and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

2.4 Significant accounting judgments, estimates and assumptions (continued)

b) Employees' end of service benefits (continued)

developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, yield and duration of Saudi government bonds obligation with at least an 'A' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

Age-wise "Heavy" withdrawal rates are used in carrying out the valuation. These age-wise withdrawal rates are generally used in the MENA region to carry out the actuarial valuation of end of service benefit Schemes of companies operating in leasing business.

The rates assumed are based on the WHO 15 Ultimate mortality tables, rated down one year. In the absence of any standard mortality tables in the region, these rates are generally used in Kingdom of Saudi Arabia in carrying out the actuarial valuation of EOSB Schemes. If any other mortality table is used it will not make any significant difference in the results.

c) Zakat

The Company is subject to Zakat in accordance with the General Authority of Zakat and Income Tax ("GAZT") regulations. Zakat computation involves relevant knowledge and judgment of the Zakat rules and regulations to assess the impact of Zakat liability at a particular period end. This liability is considered an estimate until the final assessment by GAZT is carried out until which the Company retains exposure to additional Zakat liability.

2.5 Standards, new pronouncements and interpretations:

a) New International Financial Reporting Standards (IFRS), International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company.

The following new or amended standards adopted during the period which did not have significant impact on the financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of Materiality (Amendments to IAS 1 and IAS 8).
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).
- Definition of a Business (Amendments to IFRS3).
- COVID-19 Related Rent Concessions (Amendment to IFRS 16)

b) Standards, interpretations and amendments to published standards that will be effective for the annual periods commencing on or after 1 January 2021 and have not been early adopted by the Company.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. The Company decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing after 1 January 2021.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance contracts.
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.5 Standards, new pronouncements and interpretations: (continued)

b) Standards, interpretations and amendments to published standards that will be effective for the annual periods commencing on or after 1 January 2021 and have not been early adopted by the Company. (continued)

- Classification of liabilities as current or non-current (Amendments to IAS 1).
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018 – 2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).

2.6 Significant accounting policies

Following significant accounting policies have been applied in preparation of these financial statements. These policies have been applied consistently for all period presented, except for those disclosed in note 2.7.

a) 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 murabha 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.

b) 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.

c) Leases

At the inception of the contract the Company assesses whether a contract is or contains a lease. The Company recognizes 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 recognizes 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;

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.6 Significant accounting policies (continued)

c) Leases (continued)

- 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 recognized 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.

d) 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.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.6 Significant accounting policies (continued)

e) Property and equipment (continued)

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

	<u>Number of years</u>
Leasehold improvements	10 – 33
Furniture fixtures and office equipment	4 – 5
Motor vehicles	4

Assets in the course of construction or development are recognised 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.

f) 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 licenses and are amortized on straight-line method.

	<u>Number of years</u>
Computer software	4 – 10

g) 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.

h) Net investment in finance leases and murabha 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.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.6 Significant accounting policies (continued)

h) Net investment in finance leases and murabha finance (continued)

Finance leases (continued)

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.

Murabha finance

Murabha is a 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.

i) 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.

j) 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.

k) 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.

l) 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.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.6 Significant accounting policies (continued)

l) Employee termination benefits (continued)

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 Labor Laws of Saudi Arabia.

m) Financial instruments

Financial assets

(i) Classification

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

- Fair value through profit or loss (FVTPL)
- 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 financial assets measured at FVTPL, gains and losses will be recorded in profit or loss.

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 recognized 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.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.6 Significant accounting policies (continued)

m) Financial instruments

iii) Measurement (continued)

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 recognizes loss allowances for ECL under IFRS 9 on the following financial instruments that are not measured at FVTPL:

i) Lease receivable

During the year the Company has changed the accounting policy for lease receivable to calculate the ECL allowance using general approach. (refer note 2.7)

ii) Murabha finance receivables;

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

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

No impairment loss is recognized on equity investments.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the financial assets measured at amortized cost.

Write-off

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Modifications of financial assets and financial liabilities

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 recognised 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.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

**2.6 Significant accounting policies (continued)
Financial instruments (continued)**

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.

Modification of financial instruments

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value. If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses.

Financial liabilities

The Company derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss. When cash flows of the modified liability are not substantially different, the difference between the modified contractual cashflows discounted using the original effective interest rate and, the carrying of such liability is recognized as a modification gain or loss in profit or loss.

n) 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.

o) 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.

p) Government grant

The Company recognised a government grant related to income, if there is a reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9- *Financial Instruments*. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognised in statement of profit or loss on a systematic basis over the period in which the Company recognised as expenses the related costs for which the grant is intended to compensate.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.7 Changes in accounting policies

a) Impairment of financial assets:

During the year the Company has voluntarily changed the accounting policy for the expected credit loss (ECL) of lease receivables from lifetime ECL to general approach. This change in accounting policy is to provide more reliable and more relevant effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

The Company has not accounted for the change retrospectively by adjusting the opening balances of each expected loss provision for the earliest period presented, as required by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", instead the total impact is recognized on current year. The Company's management believes that it was unable to obtain a reliable estimate of the impact on the previous years due unavailability of required data. The Company assesses on a forward-looking basis the ECL associated with its financial assets.

For finance leases i.e. "lease receivables", and net investment in murabha finance i.e. "murabha 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 murabha 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.

The Company has not accounted for the change retrospectively by adjusting the opening balances of each expected loss provision for the earliest period presented, as required by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", instead the total impact is recognized on current year, The Company's management believes that it was unable to obtain a reliable estimate of the impact on the previous years due unavailability of required data.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

3. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture fixtures and office equipment	Motor Vehicles	Capital work in progress	Total
<u>Cost:</u>					
As at 1 January 2020	2,348,490	8,974,501	851,920	-	12,174,911
Additions during the year	-	222,849	90,000	468,750	781,599
Disposal during the year	-	(3,100)	(295,410)	-	(298,510)
As at 31 December 2020	<u>2,348,490</u>	<u>9,194,250</u>	<u>646,510</u>	<u>468,750</u>	<u>12,658,000</u>
<u>Accumulated depreciation:</u>					
As at 1 January 2020	434,401	4,347,616	795,657	-	5,577,674
Charge for the year	140,047	1,320,867	33,710	-	1,494,624
Disposal during the year	-	(3,100)	(275,916)	-	(279,016)
As at 31 December 2020	<u>574,448</u>	<u>5,665,383</u>	<u>553,451</u>	<u>-</u>	<u>6,793,282</u>
<u>Cost:</u>					
As at 1 January 2019	1,410,462	6,575,737	836,830	2,101,060	10,924,089
Additions during the year	-	1,169,375	15,090	66,357	1,250,822
Transfers during the year	938,028	1,229,389	-	(2,167,417)	-
As at 31 December 2019	<u>2,348,490</u>	<u>8,974,501</u>	<u>851,920</u>	<u>-</u>	<u>12,174,911</u>
<u>Accumulated depreciation:</u>					
As at 1 January 2019	327,441	3,147,864	770,898	-	4,246,203
Charge for the year	106,960	1,199,752	24,759	-	1,331,471
As at 31 December 2019	<u>434,401</u>	<u>4,347,616</u>	<u>795,657</u>	<u>-</u>	<u>5,577,674</u>
Carrying amount 2020	<u>1,774,042</u>	<u>3,528,867</u>	<u>93,059</u>	<u>468,750</u>	<u>5,864,718</u>
Carrying amount 2019	<u>1,914,089</u>	<u>4,626,885</u>	<u>56,263</u>	<u>-</u>	<u>6,597,237</u>

4. INTANGIBLE ASSETS

Intangible asset represents license for software.

	2020	2019
<u>Cost:</u>		
As at 1 January	7,237,150	6,881,073
Additions	200,663	356,077
As at 31 December	<u>7,437,813</u>	<u>7,237,150</u>
<u>Accumulated amortization:</u>		
As at 1 January	1,816,685	1,157,243
Charge for the year	790,824	659,442
As at 31 December	<u>2,607,509</u>	<u>1,816,685</u>
<u>Carrying amounts:</u>		
As at 31 December	<u>4,830,304</u>	<u>5,420,465</u>

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

5. NET INVESTMENT IN LEASES

Net Investment in finance lease	31 December 2020	31 December 2019
Gross investment in finance lease	822,872,995	879,350,624
Less: Unearned income	(175,062,108)	(180,348,418)
Net investment in finance leases	647,810,887	699,002,206
Provision for expected credit loss	(63,635,374)	(132,096,521)
	584,175,513	566,905,685
Non-current maturity	(340,020,558)	(291,614,860)
Current Maturity	244,154,955	275,290,825

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

<u>Gross investment in finance lease</u>	31 December 2020	31 December 2019
Within one year	406,958,947	422,273,403
One to three years	317,218,523	329,178,772
Three to five years	98,695,526	127,898,449
	822,872,995	879,350,624

<u>Present value of minimum lease payments</u>	31 December 2020	31 December 2019
Within one year	324,317,222	339,437,227
One to three years	239,824,329	251,579,948
Three to five years	83,669,336	107,985,031
	647,810,887	699,002,206

A. Net investment in murabha finance

	31 December 2020	31 December 2019
Gross investment in murabha finance	106,117,959	48,668,475
Less: Unearned income	(14,627,948)	(5,233,762)
Net investment in murabha finance	91,490,011	43,434,713
Provision for expected credit loss	(12,680,812)	(284,851)
	78,809,199	43,149,862
Non-current maturity	(33,906,583)	(22,836,643)
Current maturity	44,902,616	20,313,219

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

5. NET INVESTMENT IN LEASES (continued)
A. Net investment in murabha finance (continued)

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

<u>Gross investment in murabha finance</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Within one year	63,623,347	24,282,631
One to three years	36,260,530	24,385,844
Three to five years	6,234,082	-
	<u>106,117,959</u>	<u>48,668,475</u>

<u>Present value of minimum lease payments</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Within one year	50,698,168	20,447,315
One to three years	35,409,146	22,987,398
Three to five years	5,382,697	-
	<u>91,490,011</u>	<u>43,434,713</u>

The movement in the provision for expected credit loss was as follows:

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Balance at the beginning of the year	132,381,372	126,941,967
Allowance for the year	37,464,970	5,439,405
Written off during the year	(93,530,156)	-
	<u>76,316,186</u>	<u>132,381,372</u>

6. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>31 December 2020</u>	<u>31 December 2019</u>
Insurance claim receivable	4,499,003	14,957,540
Due from related parties	156,196	370,078
Repossessed assets held for sale	-	372,275
Prepaid insurance	3,637,530	469,902
Non -lease receivables from customers	5,186,145	4,125,312
Advance to supplier	2,377,795	-
Other receivables	3,022,761	5,538,400
	<u>18,879,430</u>	<u>21,708,195</u>
Provision for impairment loss	(2,078,650)	(2,078,650)
	<u>16,800,780</u>	<u>19,629,545</u>

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

7. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash at bank	75,254,842	13,376,368
Cash in hand	56,526	271,770
Short term deposits	-	7,200,000
	<u>75,311,368</u>	<u>20,848,138</u>

8. INVESTMENT

	31 December 2020	31 December 2019
Investments at fair value through other comprehensive income (FVOCI) (Refer 8.1)	892,850	892,850
Investments at fair value through profit or loss (FVTPL) (Refer 8.2)	10,046,131	-
Total Investments	<u>10,938,981</u>	<u>892,850</u>

Movement in investments is as follows:

	2020	2019	2020	2019
	Investments at FVOCI		Investments at FVTPL	
Balance as at January 1	892,850	892,850	-	-
Additions	-	-	10,000,000	-
Fair value gain, net	-	-	46,131	-
Balance as at 31 December	<u>892,850</u>	<u>892,850</u>	<u>10,046,131</u>	<u>-</u>

8.1 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 for lease contracts registration, which represents 2% of total share capital of investee company. The investment being strategic investment is classified as fair value through other comprehensive income (FVOCI). The management believes that the carrying value of the investment approximates to the fair value at 31 December 2020 and 2019.

8.2 Investment at FVTPL represents investments made by the Company in units of mutual fund.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

9. BORROWINGS

Long term borrowing:

	31 December 2020	31 December 2019
Commercial bank loan	135,976,795	56,505,943
Government loan	132,442,916	18,367,473
	268,419,711	74,873,416
Less: current maturity	(136,968,706)	(53,466,635)
Non-current	131,451,005	21,406,781

	31 December 2020	31 December 2019
Opening balance	74,873,416	103,380,943
Additions	228,616,687	20,000,000
Finance cost	3,264,654	3,728,959
Repayments	(29,511,426)	(52,236,486)
Government grant (Note 23)	(8,823,620)	-
Closing balance	268,419,711	74,873,416

Short term borrowing

	31 December 2020	31 December 2019
Commercial bank loan	24,233,207	-

Commercial Loan

During the current year, the Company entered into additional Murabha Financing Agreement (the “Agreement”) with a commercial bank amounted to SR 100 million secured against lease receivables. The loan is repayable in 48 equal monthly installments. The loan is denominated in Saudi Riyals and bears mutually agreed profit rates. The Agreement of the borrowing facility requires the Company to maintain certain financial and non-financial covenants.

As at 31 December 2020, the Company has assigned lease receivables to the bank amounting to SR 169.97 million representing 125% of the outstanding loan balance as at 31 December 2020 (31 December 2019: SR 70.6 million).

The Company had 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, which is expected to be realized by August 2024. The loan is secured by a corporate guarantee from Al Jomiah Automotive Company (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 August 2024.

During the current year the Company has availed short term trade finance facility amounting to SR 24.2 million for working capital management from local bank at an interest rate prevailing in the market. The settlement date for above facility is 24 June 2021.

Government loan:

Social Development Bank:

During the year ended 31 December 2019, the Company entered into a financing agreement with Social Development Bank (“SDB”) amounting to SR 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 has utilized such funds to provide finance services to SME’s within a defined range of finance rates the aggregate maturity of the outstanding loan is spread through 2023.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

9. BORROWINGS (continued)

Government loan: (continued)

Social Development Bank: (continued)

During the current year ended 31 December 2020, the Company has entered into other financing agreement with Social Development Bank (“SDB”) amounting to SR 45 million under the same terms and conditions.

Saudi Central Bank (SAMA):

As described in note 22, in order to compensate all the related costs that the Company is expected to incur under the SAMA program, the Company has received an interest free loan of SR 83.62 million from SAMA during the year ended 31 December 2020 in multiple trenches. The Loan is repayable in 36 equal instalments, the aggregate maturity of the outstanding loan is spread through 2023. Out of the interest free loan, the Company has refunded SR 6.9 million to SAMA during 2020.

10. LEASES

Leases as lessee (IFRS 16)

The Company leases land and buildings. The leases typically run for a period of 1 to 3 years, with an option to renew the lease after expiry of the lease term. Lease payments are renegotiated during renewal of the contract to reflect market rentals.

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

	31 December 2020	31 December 2019
Balance as at 1 January	6,816,575	7,052,294
Depreciation charge for the year	(1,059,215)	(967,688)
Additions during the year	585,272	731,969
Derecognition of right- of-use	(983,568)	-
Balance as at 31 December	5,359,064	6,816,575

Lease liabilities

	31 December 2020	31 December 2019
Balance as at 1 January	6,472,421	6,694,794
Interest charge for the year	237,023	306,658
Addition during the year	585,272	-
Repayments during the year	(937,400)	(1,261,000)
Derecognition of lease liability	(876,574)	-
Balance as at 31 December	5,480,742	6,472,421
Current maturity	1,123,591	1,019,311
Non-current maturity	4,357,151	5,453,110

Amount recognised in profit or loss

	31 December 2020	31 December 2019
Interest on lease liabilities	237,021	306,658
Depreciation of right-of-use assets	1,059,215	967,688

Amount recognised in statement of cash flow for the year

Total cash outflow for leases	(937,400)	(1,261,000)
-------------------------------	------------------	-------------

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

10. LEASES (Continued)

Extension options

Land leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

11. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties.

The Company is required to pay remuneration to the members of Board of Directors, under By-Laws, for participation in Board of Directors' meeting held during the year.

Transactions with related parties mainly include collections on behalf of the Company, certain expenses and services which are undertaken at mutually agreed terms and conditions.

Transactions with related parties:

	<u>Relationship</u>	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Al Jomaih Automotive Company (AAC)	Shareholder		
Purchase of vehicles for lease		105,592,022	150,383,496
Shared service cost		2,361,560	2,181,737
Finance cost charged		5,197,551	5,840,709
Al Jomaih Holding Company (AJHC)	Other related party		
Finance cost charged		487,184	2,851,528
Shared service cost recharged		4,601,924	4,624,711
Al Jomaih Rent-A-Car (AJRC)	Other related party		
Revenue		2,863,379	3,220,761

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

11. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Key management personnel compensation comprised of the following transactions:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Transactions:		
Compensation of key management executives	4,963,124	5,059,797
Employee benefits	1,386,782	621,108
Remuneration of board and committee members	135,000	66,000

The above-mentioned significant transactions with related parties resulted in the following balances:

Due to related parties:

	31 December 2020	31 December 2019
Al Jomaih Automotive Company (AAC)	144,668,675	199,124,223
Al Jomaih Holding Company (AJHC)	7,823,737	23,677,905
Al Jomaih Bottling Plants Limited (AJBP)	-	184,836
	152,492,412	222,986,964

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 financial charges at prevailing variable market rates.

Due from related parties:

	31 December 2020	31 December 2019
Al Jomaih Rent-a-Car Company (AJRC)	40,358,262	40,532,540
Al Jomaih Equipment Company Limited	135,964	266,664
Al Jomaih Bottling Plants Limited (AJBP)	20,232	-
Al Jomaih Tyres Company (AJTC)	-	103,414
	40,514,458	40,902,618

Balance due from AJRC as at 31 December 2020 amounting to SR 31.3 million and SR 9.1 million has been classified under "net investment in finance leases" and "net investment in murabaha finance", respectively (December 31 2019: SR 35.4 million and SR 5.1 million, respectively).

The remaining balance due from related parties is classified under prepayments and other receivables.

12. SHARE CAPITAL

The pattern of shareholding as of 31 December 2020 and 31 December 2019 is as follows:

	Percentage of ownership	Number of shares	Amount SR
Al Jomaih Automotive Company	96	38,400,000	384,000,000
Al Jomaih Rent-a-Car Company	1	400,000	4,000,000
Al Jomaih Energy and Water Company	1	400,000	4,000,000
Mohammed Abdul Aziz Abdullah Al Jomaih	1	400,000	4,000,000
Hamad Abdul Aziz Abdullah Al Jomaih	1	400,000	4,000,000
	100	40,000,000	400,000,000

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

13. 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.

14. ZAKAT

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the statement of profit or loss and other comprehensive income.

Significant components of Zakat base of the Company principally comprise of shareholders' equity at the beginning of the year, adjusted net income and certain other items.

	For the year ended 31 December 2020	For the year ended 31 December 2019
Opening balance	24,695,945	51,160,640
<i>Zakat charge for the year:</i>		
Current year	1,552,482	3,934,079
Adjustment related to prior year	-	(30,398,774)
Payment during the year	(6,869,979)	-
	19,378,448	24,695,945

The significant components of Zakat base for the Company are as follows:

	31 December 2020	31 December 2019
Shareholders' equity	266,876,868	279,774,509
Non-current liabilities and borrowings	141,011,841	26,859,891
Assets subject to zakat	466,039,289	342,898,302

Provision for Zakat has been made at 2.5% of the Zakat base attributable to the shareholders of the Company.

a) Zakat assessment status

During the year ended 31 December 2020, 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 SR 37.3 million based on zakat assessments as previously finalized by the GAZT. As per the notice, the Company is required to pay SR 6.9 million as final settlement of Zakat liability for the years 2015 through 2017. The Company had adjusted the provision for Zakat of SR 30.4 million during the year ended 31 December 2019.

The Company has filed the Zakat returns for the years ended 31 December 2018 and 2019 however, no assessment is raised by GAZT. The

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

15. EMPLOYEES' END OF SERVICE BENEFITS

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements.

The Company recognized the benefits in the statement of profit or loss and other comprehensive income. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in the statement of profit or loss and other comprehensive income and amounts recognized in the statement of financial position.

Net benefit expense recognised in the profit or loss and other comprehensive income:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Included in profit or loss		
Current service cost	1,007,597	1,078,534
Interest cost on benefit obligation	187,082	307,937
	1,194,679	1,386,471
Included in other comprehensive income		
<i>Re-measurement gains and losses on obligation</i>		
(Gain) / loss due to change in demographic assumptions	(169,732)	-
(Gain) / loss due to change in experience adjustments	(90,605)	764,172

Movement in the present value of defined benefit obligation:

	31 December 2020	31 December 2019
Balance at 1 January	6,050,563	6,537,409
Current service cost / charge for the year	1,007,597	1,078,534
Interest cost	187,082	307,937
Benefits paid	(1,781,220)	(2,637,489)
Actuarial gain / (loss) on the obligation	(260,337)	764,172
Balance at 31 December	5,203,685	6,050,563

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	31 December 2020	31 December 2019
Discount rate	1.60%	2.95%
Salary increase rate short term	1.60%	2.95%
Mortality rates	WHO SA16 -75%	WHO SA16 -75%
Rates of employee turnover	Heavy	Moderate

The table below illustrates the approximate impact on the defined benefit obligation if the Company were to change one key assumption, while the other actuarial assumptions remain unchanged. The sensitivity analyses below has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

15. EMPLOYEES' END OF SERVICE BENEFITS (continued)

Sensitivity analysis	31 December 2020	31 December 2019
Increase		
Discount rate (+50 bps)	(171,130)	(272,496)
Salary increase rate (+50 bps)	181,501	293,675
Decrease		
Discount rate (-50 bps)	182,424	295,160
Salary increase rate (-50 bps)	(171,950)	(273,774)

The average duration of the defined benefit obligation at the end of the reporting period is 6.78 years (2019: 9.36 years). The expected maturity analysis of employee benefit obligations (undiscounted) is as follows:

	Less than a year	Between 1 to 2 years	Between 2 to 5 years	Over 5 years	Total
31 December 2020	772,750	1,438,664	3,674,315	3,763,989	9,649,718
31 December 2019	420,968	591,935	2,113,805	4,496,368	7,623,076

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2020	31 December 2019
Advances from customers	12,640,568	10,519,336
Accrued purchases and others	6,823,231	5,223,372
Deferred government grant	3,654,012	-
Salaries and benefits	849,205	489,777
	23,967,016	16,232,485

17. INCOME FROM FINANCING ACTIVITIES

	For the year ended 31 December 2020	For the year ended 31 December 2019
Income from finance lease	80,212,312	75,433,325
Income from murabha finance	6,859,396	409,947
Loss on modification of finance lease and murabha finance receivables	(12,031,194)	-
	75,040,514	75,843,272

18. OTHER EXPENSES

	For the year ended 31 December 2020	For the year ended 31 December 2019
Administrative expenses charged by a shareholder	2,361,560	2,181,737
Professional services	1,104,427	610,520
Communication	1,068,719	1,254,425
Advertising	666,744	592,512
Governmental fees	443,656	637,644
Maintenance and cleaning	377,774	372,675
Other expenses	3,514,408	4,220,465
	9,537,288	9,869,978

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

19. FINANCE COST

	For the year ended 31 December 2020	For the year ended 31 December 2019
Finance cost on long term borrowings	5,269,917	3,728,959
Finance cost on balances due to a shareholder	5,197,551	5,840,709
Bank charges	800,944	436,053
Finance cost on balances due to related party	487,184	2,851,528
Finance charge on lease liability	237,021	306,658
	11,992,616	13,163,907

20. FINANCIAL RISK MANAGEMENT

Risk is inherent in the Company's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability. The Company's activities are exposed to a variety of financial risks which mainly include market risk, credit risk and liquidity risk.

Risk management structure

Board of Directors

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

Audit Committee

The audit committee is appointed by the Board of Directors. The audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company.

Internal Audit

All key operational, financial and risk management processes are audited by the Internal Audit. Internal audit examines the adequacy of the relevant policies and procedures, the Company's compliance with the internal policies and regulatory guidelines. Internal audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

Risk Committee

Board of Directors of the Company has established a risk committee. The primary responsibility of the risk committee is to oversee and approve the company-wide risk management practices to assist the board in overseeing risks, such as financial, credit, market, liquidity, security, legal, regulatory, reputational, and other risks.

The risks faced by the Company and the way these risks are mitigated by management are summarized below.

20.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of below risks.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial assets may fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried in Saudi Riyals. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations as the majority of the monetary assets and liabilities are in Saudi Riyals or currencies which are pegged to the Saudi Riyal and consequently the Company does not hedge its foreign currency exposure.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

20. FINANCIAL RISK MANAGEMENT (continued)

20.1 Market risk (Continued)

b) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risk.

c) Special commission rate risk

The special commission rate risk is the risk that the value of the financial instrument may fluctuate due to changes in the market interest rates. As the Company's financial instruments are interest at fixed rates, the Company is not subject to special commission rate risk.

20.2 Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss. The Company has established procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral such as down payments and personal guarantees. Individual lease contracts generally are for terms not exceeding sixty-months.

The credit risks on gross amounts due in relation to the investment in finance leases is mitigated by the retention of title on leased assets and down payments.

	<u>2020</u>	<u>2019</u>
Net investment in finance leases	572,550,509	566,905,685
Net investment in murabha finance	90,434,203	43,149,862
Other receivables	10,577,417	19,736,242
Long term deposit	18,750,449	18,750,449
Cash at bank	75,311,368	20,848,138
	<u>767,623,946</u>	<u>669,390,376</u>

a) Net investment in finance leases and murabha finance

The investment in finance leases and murabha finance generally expose to significant credit risk. Therefore, the Company has established a number of procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees.

The Company follows a credit classification mechanism, primarily driven by day's delinquency as a tool to manage the quality of credit risk of the lease portfolio. Further, the Company also follows a credit classification mechanism as a tool to manage the quality of credit risk of the lease and murabha Portfolio and grades the individual customers based on both the subjectivity and credit history through Saudi Credit bureau taking into consideration factors such as customer credit standing , financial strength and security. However, for Small and Medium Sized Entities (SME) and corporate customers, the Company focuses on 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 the credit risk on a regular basis. The management believes that adequate provision has been accounted for, were required to address the credit risk.

Expected credit loss assessment for the lease receivables are as follows:

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

20. FINANCIAL RISK MANAGEMENT (Continued)

20.2 Credit risk (Continued)

a) Net investment in finance leases and murabha finance (continued)

As at 31 December 2020:

Finance lease receivables	12 Months PD ranges	Stage 1	Stage 2	Stage 3	Total
Performing	25 - 36%	774,717,269	-	-	774,717,269
Under performing	42 - 62%	-	12,999,767	-	12,999,767
Non-performing	57 - 80%	-	-	143,762,947	143,762,947
Gross Lease receivables		774,717,269	12,999,767	143,762,947	931,479,983
Loss allowance		(39,289,540)	(1,432,081)	(35,594,565)	(76,316,186)
Carrying amount		735,427,729	11,567,686	108,168,382	855,163,797

As at 31 December 2019:

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

The Company as at 31 December 2020 has impairment loss allowance of SR 84. million (2019: SR 132 million). In addition, finance lease receivables are secured against leased assets.

The credit quality of Company's bank balances is assessed with reference to external credit worthiness which all are above investment grade rating.

b) Geographical segment analysis

The Company's operations are restricted to Kingdom of Saudi Arabia only.

c) Collateral held as security and other credit enhancements

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with the net investment in finance lease. The credit risks on net investment in finance leases are mitigated by retention of title of leased assets. Further, the Company has obtained promissory notes from lessee customers.

d) Bank balances and other receivables

Funds are placed with banks having good credit ratings and therefore are not subject to significant credit risk. Other receivables are neither significant nor exposed to significant credit risk.

e) Concentration risk

Concentrations of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

20. FINANCIAL RISK MANAGEMENT (continued)

20.3 Credit risk (continued)

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The Company manages its credit risk exposure through diversification of leasing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

20.3 Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The contractual maturities of liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Company's availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained. The table below summarizes the maturity profile of the Company's liabilities based on contractual undiscounted cash flows:

31 December 2020	Upto one year	1 to 3 year	3 to 5 years	More than 5 years	Total
Liabilities					
Due to related parties	152,492,412	-	-	-	152,492,412
Long term borrowings	136,968,706	119,160,961	17,456,474	-	273,586,141
Short term borrowings	24,233,207	-	-	-	24,233,207
Lease liabilities	1,341,000	2,582,000	2,122,000	-	6,045,000
Trade payables	21,441,180	-	-	-	21,441,180
Accrued expenses and other liabilities	23,967,016	-	-	-	23,967,016
	360,443,521	121,742,961	19,578,474	-	501,764,956

31 December 2019	Upto one year	1 to 3 year	3 to 5 years	More than 5 years	Total
Liabilities					
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
Trade payables	34,668,359	-	-	-	34,668,359
Accrued expenses and other liabilities	16,232,485	-	-	-	16,232,485
	331,270,241	23,771,373	2,202,000	1,101,000	358,344,614

20. FINANCIAL RISK MANAGEMENT (Continued)

20.4 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2020.

20.5 Fair value measurement:

The Company measures financial instruments, such as equity instruments at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 20.5.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The Company's financial assets consist of cash and cash equivalents, short-term deposits, finance and Murabha lease receivables, due from related parties, investments and its financial liabilities consist of trade payables, accrued expenses and other liabilities and, due to related parties.

The fair values of financial assets and liabilities not measured at fair value are not disclosed in the below table because these are not materially different from their carrying values at the reporting date.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

20. FINANCIAL RISK MANAGEMENT (Continued)

20.5 Fair values of financial assets and financial liabilities (Continued)

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements as at 31 December 2020.

	Carrying Amount					Fair Value			
	Financial assets at amortised cost	FVTPL	FVOCI – equity investments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
December 31, 2020									
<i>Financial assets</i>									
Finance lease receivable	584,175,513	-	-	-	584,175,513	-	-	-	-
Murabha finance	78,809,199	-	-	-	78,809,199	-	-	-	-
Other current assets	10,577,417	-	-	-	10,577,417	-	-	-	-
Long term deposit	18,750,449				18,750,449				
Cash and bank balances	75,311,368	-	-	-	75,311,368	-	-	-	-
Investment	-	10,046,131	892,850	-	10,938,981	-	10,046,131	892,850	10,938,981
Total financial assets	767,623,946	10,046,131	892,850	-	778,562,927	-	10,046,131	892,850	10,938,981
<i>Financial liabilities</i>									
Trade payables	-	-	-	21,441,180	21,441,180	-	-	-	-
Accrued expenses and other liabilities	-	-	-	23,967,016	23,967,016	-	-	-	-
Due to related parties	-	-	-	152,492,412	152,492,412	-	-	-	-
Lease liabilities	-	-	-	5,480,740	5,480,740	-	-	-	-
Short term borrowings	-	-	-	24,233,207	24,233,207	-	-	-	-
Long term borrowings	-	-	-	268,419,711	268,419,711	-	-	-	-
Total financial liabilities	-	-	-	496,034,266	496,034,266	-	-	-	-

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

20. FINANCIAL RISK MANAGEMENT (Continued)

20.5 Fair values of financial assets and financial liabilities (Continued)

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements as at 31 December 2019.

	Carrying amount					Fair value			
	Financial assets at amortised cost	FVTPL	FVOCI – equity investments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
December 31, 2019									
<i>Financial assets</i>									
Finance lease receivable	566,905,685	-	-	-	566,905,685	-	-	-	-
Murabha finance	43,149,862				43,149,862				
Other current assets	19,736,242	-	-	-	19,736,242	-	-	-	-
Long term deposit	18,750,449				18,750,449				
Cash and bank balances	20,848,138	-	-	-	20,848,138	-	-	-	-
Investments	-	-	892,850	-	892,850	-	-	892,850	892,850
Total financial assets	669,390,376	-	892,850	-	670,283,226	-	-	892,850	892,850
<i>Financial liabilities</i>									
Trade payables	-	-	-	34,668,359	34,668,359	-	-	-	-
Accrued expenses and other liabilities	-	-	-	16,232,485	16,232,485	-	-	-	-
Due to related parties	-	-	-	222,986,964	222,986,964	-	-	-	-
Lease liabilities	-	-	-	6,472,421	6,472,421	-	-	-	-
Long term borrowings	-	-	-	74,873,416	74,873,416	-	-	-	-
Total financial liabilities	-	-	-	355,233,645	355,233,645	-	-	-	-

21. CONTINGENCIES AND COMMITMENTS

The Company has no commitments and contingent liabilities as at 31 December 2020 (31 December 2019: Nil).

22. IMPACT OF COVID -19 AND GOVERNMENT SUPPORT

The outbreak of novel coronavirus (“COVID-19”) since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Company’s management to revisit its significant judgments in applying the Company’s accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the management carried out an impact assessment on the overall Company’s operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and concluded that, as of the issuance date of these financial statements, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. For the Company, whose operations are largely concentrated in an economy which is primarily based on oil, the economic impacts of the above events, though the scale and duration of which remains uncertain, primarily include:

- Significant business interruption arising from hinderance in generating new originations, travel restrictions and unavailability of personnel etc.;
- Deterioration in credit worthiness of customers in particular to those working or involved in ‘highly exposed sectors’ such as transportation, tourism, hospitality, entertainment, construction and retail; and
- A significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a general decline in interest rates globally.

Collectively, these current events and the prevailing conditions require the Company to analyze the likely impact of these events on the business operations. The Board of Directors and the management of the Company have evaluated the current situation and accordingly, have activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

The pandemic has also required the Company to revise certain inputs and assumptions used for the determination of expected credit losses (“ECL”). These primarily revolved around adjusting macroeconomic factors such as expected oil prices and GDP and revaluating the methods of scenario construction and the underlying weightages assigned to these scenarios to estimate the likelihood and severity of these for the ECL determination. As a result, the Company has provided an additional amount of SR 37.46 million as an impairment loss. Further, the Company will continue to individually assess significant corporate exposures as more reliable data becomes available and accordingly determine if any additional ECL amounts need to be recognized. (Refer Note 5).

22. IMPACT OF COVID -19 AND GOVERNMENT SUPPORT (Continued)

SAMA and other authorities' programs and initiatives launched

In response to COVID-19, SAMA launched the *Private Sector Financing Support Program* ("PSFSP") in March 2020 to provide the necessary support to the SME sector through empowering and facilitating the financing community. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program, the Company is required to defer payments for six months on lease contracts to those customers that qualify as SMEs. Similarly, the Company has also deferred payments for twelve months on lending facilities to customers falling under the government bank loan program. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. The Company has affected the payment reliefs by deferring the instalments receivables for the next six or twelve months, as applicable, with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed as per the requirements of IFRS 9 as modification in terms of arrangement. The impact due to change in modification for eligible lease contracts will have an additional expense of SR 5.96 million recognised in the statement of profit and loss. During the third quarter ended 30 September 2020, the Company was required to defer payments for additional three months from 15 September 2020 to 14 December 2020. This has resulted in an additional recognition of modification loss amounting to SR 2.86 million. During the month of December 2020, the Company was required to defer payments for additional three months from 15 December 2020 to 14 March 2021. This has resulted in an additional recognition of modification loss amounting to SR 3.21 million.

Further, in order to compensate all the related costs that the Company is expected to incur under the SAMA and other public authorities program, the Company has received an interest free loan of SR 31.7 million from SAMA on 4 April 2020. Out of the interest free loan, the Company has refunded SR 6.9 million to SAMA in August 2020. In response to participation of additional six months deferred payment program, the Company received SR 51.92 million from SAMA as interest free loan and accounted related receivables as per the government grant accounting requirements. The benefit of the subsidised funding rate and deferral of the government loan payments has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in an income of SR 5.33 million and the same has been recognised in the statement of profit or loss for the year ended 31 December 2020. The management has exercised certain judgements in the recognition and measurement of this grant income. (Note 9)

During April 2020, SAMA issued a guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures. The Company has considered the guidance issued and evaluated the accounting impact accordingly.

As at 31 December 2020, the Company has not participated in SAMA's funding for lending, loan guarantee and POS and e-commerce service fee support programs.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Saudi Riyals)

23. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the income for the year attributable to the shareholders by weighted average number of shares at the end of the year.

<i>Basic and diluted (loss) / earnings per share:</i>	<u>2020</u>	<u>2019</u>
(Loss) / Profit for the year	<u>(22,806,678)</u>	<u>23,256,144</u>
<i>Weighted average number of outstanding shares</i>		
Number of shares	<u>40,000,000</u>	<u>40,000,000</u>
Basic and diluted (loss)/ earnings per share	<u>(0.57)</u>	<u>0.58</u>

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 20 Rajab 1442H corresponding to 4 March 2021G.