

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE NINE-MONTH PERIOD ENDED 30
SEPTEMBER 2021

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2021

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Headquarter in Riyadh

Commercial Registration No 2051062328

كي بي إم جي للاستشارات المهنية

الطابق الأول، أبراج بالظيور
طريق الملك سعود، الصفا
ص.ب ٤٨٠٣
الخبير ٣١٩٥٢
المملكة العربية السعودية
المركز الرئيسي الرياض

سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Al Tayseer Arabian Company (Closed Joint Stock Company)

Introduction

We have reviewed the accompanying 30 September 2021 condensed interim financial statements of Al Tayseer Arabian Company ("the Company"), which comprises:

- the condensed statement of financial position as at 30 September 2021;
- the condensed statements of profit or loss and other comprehensive income for the three-month and nine-month period ended 30 September 2021;
- the condensed statement of changes in shareholders' equity for the nine-month period ended 30 September 2021;
- the condensed statement of cash flows for the nine-month period ended 30 September 2021; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (15,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مبنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للقران وتبركاه محاسبين ومراجعين قانونيين". وهي عضو غير توريك في الشبكة العالمية لشركات كي بي إم جي المسجلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة التجيزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarter in Riyadh is 1010425494.



Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Al Tayseer Arabian Company (Closed Joint Stock Company) (Continued)

Basis for Qualified Conclusion

As described in note 2 to the condensed interim financial statements, during the year ended 31 December 2020, the Company changed its accounting policy for the determination of expected credit losses in respect of lease receivables from simplified approach to general approach ("change in accounting policy"). However, the entire impact of the change in accounting policy was recognized as at 31 December 2020 as the Company's management believes that it was unable to obtain a reliable estimate of the impact on the previous years and the comparative period due to unavailability of required data. This not in accordance with IAS 8 "Accounting policies change in estimates and errors", which requires to account for a change in accounting policy retrospectively by adjusting the opening balance of each affected component of equity for the earliest prior period presented as well as the other comparative amounts disclosed for each prior period presented, as if the new accounting policy had always been applied. Consequently, we were unable to determine whether any adjustments were necessary to the comparative period presented in the financial statements as well as the opening balances of retained earnings and allowance for expected credit losses due to the foregoing matter. Our Independent Auditor's Report of the Company as of and for the year ended 31 December 2020 included a qualified opinion in respect of this matter.

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying 30 September 2021 condensed interim financial statements of Al Tayseer Arabian Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Professional Services



Abdulaziz Abdullah Alnaim

License No: 394

Al Khobar, 21 Rabi ul Awal 1443H
Corresponding to: 27 October 2021G

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021
(Expressed in Saudi Riyals)

		30 September 2021	31 December 2020
	Note	(Unaudited)	(Audited)
Assets			
Non-current assets			
Property and equipment		6,431,204	5,864,718
Right-of-use assets		5,540,674	5,359,064
Intangible assets		4,287,377	4,830,304
Long term deposit		18,750,449	18,750,449
Net investment in finance lease	3	343,735,511	340,020,558
Net investment in murabha finance	3	104,128,048	33,906,583
Investment		1,212,368	10,938,981
Total non-current assets		484,085,631	419,670,657
Current assets			
Prepayments and other receivables	4	31,580,178	16,800,780
Current portion of net investment in finance lease	3	348,669,617	244,154,955
Current portion of net investment in murabha finance	3	74,406,467	44,902,616
Cash and cash equivalents	5	18,991,259	75,311,368
Total current assets		473,647,521	381,169,719
Total assets		957,733,152	800,840,376
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	8	300,000,000	400,000,000
Statutory reserve		6,293,980	6,293,980
Retained earnings/ (accumulated losses)		11,755,259	(126,070,005)
Total shareholders' equity		318,049,239	280,223,975
Liabilities			
Non-current liabilities			
Long term borrowings	6	119,676,101	131,451,005
Lease liabilities		3,478,652	4,357,151
Employees' end of service benefits		5,635,365	5,203,685
Total non-current liabilities		128,790,118	141,011,841
Current liabilities			
Accounts payables		90,331,651	21,441,180
Accrued expenses and other current liabilities		33,712,845	23,967,016
Current maturity of long-term borrowings	6	138,624,584	136,968,706
Short term borrowing		24,899,152	24,233,207
Due to related parties	7	209,391,601	152,492,412
Current portion of lease liabilities		1,874,556	1,123,591
Provision for Zakat	9	12,059,406	19,378,448
Total current liabilities		510,893,795	379,604,560
Total liabilities		639,683,913	520,616,401
Total shareholders' equity and liabilities		957,733,152	800,840,376

These condensed interim financial statements appearing on pages 1 to 15 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
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The accompanying notes from 1 to 13 appearing on pages 5 to 15 form an integral part of these condensed interim financial statements.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021
(Expressed in Saudi Riyals)

	Note	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
INCOME					
Finance lease income, net		30,978,761	18,296,731	79,324,302	55,769,828
EXPENSES					
Insurance and other cost		(5,567,581)	(5,148,786)	(15,736,538)	(16,585,926)
Salaries and employee related expenses		(6,575,527)	(5,050,516)	(18,322,874)	(16,885,818)
Provision for expected credit losses		(4,308,281)	(44,482,631)	(10,845,632)	(51,366,156)
Financial charges		(3,403,299)	(2,858,602)	(9,682,340)	(3,823,233)
Depreciation and Amortization		(1,037,181)	(841,543)	(2,994,561)	(2,548,455)
Commissions and sales Promotion		(681,753)	(432,950)	(1,787,206)	(1,453,980)
Other general and administrative expenses		(4,262,359)	(2,370,967)	(10,208,675)	(6,465,300)
Total expenses		(25,835,981)	(61,185,995)	(69,577,826)	(99,128,868)
Other income					
Other income, net		6,577,913	1,437,718	22,004,080	2,341,116
Financial income		95,943	13,778	367,956	37,573
Profit / (loss) before Zakat		11,816,636	(41,437,768)	32,118,512	(40,980,351)
Zakat reversal/ (charge)	9	800,024	-	5,706,752	(998,403)
Profit / (loss) for the period		12,616,660	(41,437,768)	37,825,264	(41,978,754)
Other comprehensive					
Income for the period		-	-	-	-
Total comprehensive Income / (loss) for the Period		12,616,660	(41,437,768)	37,825,264	(41,978,754)
Profit/ (loss) per share – basic and diluted					
		0.42	(1.04)	1.26	(1.05)

The accompanying notes from 1 to 13 appearing on pages 5 to 15 form an integral part of these condensed interim financial statements.

AI TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021
(Expressed in Saudi Riyals)

	Share capital	Statutory reserve	(Accumulated losses)/ Retained earnings	Total
Balance as at 1 January 2020	400,000,000	6,293,980	(103,263,327)	280,223,975
Loss for the period	-	-	(41,978,754)	(41,978,754)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(41,978,754)	(41,978,754)
Balance as at 30 September 2020	400,000,000	6,293,980	(145,242,081)	261,051,899
Balance as at 1 January 2021	400,000,000	6,293,980	(126,070,005)	280,223,975
Profit for the period	-	-	37,825,264	37,825,264
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	37,825,264	37,825,264
Reduction in share capital (Note 8)	(100,000,000)	-	100,000,000	-
Balance as at 30 September 2021	300,000,000	6,293,980	11,755,259	318,049,239

The accompanying notes from 1 to 13 appearing on pages 5 to 15 form an integral part of these condensed interim financial statements.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021
(Expressed in Saudi Riyals)

	<u>Note</u>	<u>2021</u> <u>(Unaudited)</u>	<u>2020</u> <u>(Unaudited)</u>
Cash flows from operating activities			
Profit / (loss) before Zakat		32,118,512	(40,980,351)
<i>Adjustments for:</i>			
Gain on modification of loan		(1,421,289)	(5,752,944)
Loss on modification of lease receivable		5,490,731	8,826,379
Allowance for expected credit losses		10,845,632	51,366,156
Depreciation and amortization		2,994,561	2,548,455
Finance cost		9,682,340	8,938,375
Gain on investment, net		(281,999)	-
Provision for Employees' end of service benefits		1,386,148	1,688,580
		<u>60,814,636</u>	<u>26,634,650</u>
<i>Changes in:</i>			
Net investment in finance lease		(224,291,294)	(84,131,618)
Prepayments and other receivables		(14,779,398)	(10,677,944)
Due to related parties		56,899,189	(17,373,812)
Trade payables		68,890,471	(9,005,922)
Accrued expenses and other liabilities		9,745,829	5,569,928
		<u>(42,720,567)</u>	<u>(88,984,718)</u>
Finance cost paid		(4,965,654)	(8,938,375)
Employee termination benefits paid		(954,469)	(913,833)
Zakat paid		(1,612,290)	(2,284,233)
Net cash used in operating activities		<u>(50,252,980)</u>	<u>(101,121,159)</u>
Cash flows from investing activities			
Acquisition of property and equipment		(1,902,283)	(228,777)
Acquisition of intangible assets		(18,200)	(39,375)
Investments in funds		(40,000,000)	-
Proceeds from redemption of funds		50,008,612	-
Net cash generated from / (used in) investing activities		<u>8,088,129</u>	<u>(268,152)</u>
Cash flows from financing activities			
Proceeds from long-term borrowings		70,241,001	166,700,000
Proceeds from short term borrowings		24,899,152	-
Repayments of long-term borrowings		(107,964,941)	(21,886,269)
Finance lease liabilities paid		(1,330,470)	(754,500)
Net cash (used in) / generated from financing activities		<u>(14,155,258)</u>	<u>144,059,231</u>
Net (decrease)/ increase in cash and cash equivalents		<u>(56,320,109)</u>	<u>42,669,920</u>
Cash and cash equivalents at beginning of the period		<u>75,311,368</u>	<u>20,848,138</u>
Cash and cash equivalents at end of the period	5	<u>18,991,259</u>	<u>63,518,058</u>

The accompanying notes from 1 to 13 appearing on pages 5 to 15 form an integral part of these condensed interim financial statements.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021
(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 (31 March 2015). The accompanying condensed interim financial statements as at and for the period ended 30 September 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 condensed interim financial statements of the Company as at and for the period ended 30 September 2021 have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). They do not include all the information required for a complete set of financial statements. However, changes in accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

2.2 Basis of preparation

These condensed interim 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 condensed interim 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 interim condensed 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. The accounting estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements as at and for the year ended 31 December 2020.

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 condensed interim financial statements.

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021
(Expressed in Saudi Riyals)

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 2022 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 condensed interim 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 2022.

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Reference to conceptual framework (Amendments to IFRS 3).
- Annual improvement to IFRS standards 2018- 2020.
- Onerous contracts- Cost of fulfilling a contract (Amendments to IAS 37).
- Classification of liabilities as current or non-current (Amendments to IAS 1).
- Property Plant and Equipment, Proceeds before intended use. (Amendments to IAS 16).
- Definition of accounting estimate (Amendments to IAS 8).
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS practice statement 2).
- Sale or Contribution of Assets between and investor and its Associate or Joint venture (Amendments to IFRS 10 and IAS 28).

2.6 Significant accounting policies

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those followed and disclosed in the of the Company's annual financial statements for the year ended 31 December 2020.

a) Impairment of financial assets

During the year ended 31 December 2020 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 in the comparative period 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 as of 31 December 2020. The Company's management believes that it was unable to obtain a reliable estimate of the impact on the previous years and periods due unavailability of required data.

Accordingly, the opening balance of the comparative period does not reflect the change of accounting policy.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021
(Expressed in Saudi Riyals)

3. NET INVESTMENT IN LEASES

Net Investment in finance lease	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Gross investment in finance lease	942,310,499	822,872,995
Less: Unearned income	(182,844,230)	(175,062,108)
Net investment in finance leases	759,466,269	647,810,887
Provision for expected credit loss	(67,061,141)	(63,635,374)
	692,405,128	584,175,513
Non-current portion	(343,735,511)	(340,020,558)
Current portion	348,669,617	244,154,955

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

A. Net investment in murabha finance

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Gross investment in murabha finance	234,006,297	106,117,959
Less: Unearned income	(35,901,153)	(14,627,948)
Net investment in murabha finance	198,105,144	91,490,011
Provision for expected credit loss	(19,570,629)	(12,680,812)
	178,534,515	78,809,199
Non-current portion	(104,128,048)	(33,906,583)
Current portion	74,406,467	44,902,616

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

	For the nine-month ended 30 September 2021 (Unaudited)	For the year ended 31 December 2020 (Audited)
Balance at the beginning of the period / year	76,316,186	132,381,372
Allowance for the period / year	10,845,632	37,464,970
Written off during the period / year	(530,048)	(93,530,156)
	86,631,770	76,316,186

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021
(Expressed in Saudi Riyals)

4. PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Prepaid insurance	9,258,927	3,637,530
Non-lease receivables from customers	6,419,330	5,186,145
Due from related parties	5,559,796	156,196
Insurance claim receivable	5,433,792	4,499,003
Deferred loss on Kafalah contracts	1,785,864	-
Advance to supplier	147,500	2,377,795
Other receivables	5,053,619	3,022,761
	33,658,828	18,879,430
Provision for impairment loss	(2,078,650)	(2,078,650)
	31,580,178	16,800,780

5. CASH AND CASH EQUIVALENTS

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Cash in hand	23,994	56,526
Cash at bank	18,967,265	75,254,842
	18,991,259	75,311,368

6. LONG TERM BORROWINGS

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Commercial bank loan	105,924,586	135,976,795
Government loan	152,376,099	132,442,916
	258,300,685	268,419,711
Less: current maturity	(138,624,584)	(136,968,706)
	119,676,101	131,451,005

Commercial Loan

During 2020, 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 covenants of the borrowing facility require the Company to maintain certain levels of financial condition, places limitations on dividends distribution, changes in shareholding structure and disposal of its assets. Further, the Company has assigned lease receivables to the bank amounting to SR 132.4 million representing 125% of the outstanding loan balance as at 30 September 2021 (31 December 2020: SR 169.9 million). During the period ended 30 September 2021 has repaid an amount of SR 32.19 million.

AL TAYSEER ARABIAN COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021
(Expressed in Saudi Riyals)

6. LONG TERM BORROWINGS (Continued)
Commercial Loan (continued)

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 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 2020 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 Company settled the Liability on 1st July 2021. During the three month period ended 30 September 2021 the Company has renewed the agreement and availed short term trade finance facility amounting to SR 24.9 million for working capital management from local bank at an interest rate prevailing in the market for the period of six months.

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.

During the 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.

During the period ended 30 September 2021 the Company has repaid an amount of SR 16.2 million to SDB and an amount of SR 1.6 million is recorded as finance cost.

Saudi Central Bank (SAMA):

As described in note 12, 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 tranches. 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.

During the nine-month period ended 30 September 2021, the Company has repaid an amount of SR 35.4 million and recorded finance cost on unwinding amounted to SR 1.1 million.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021
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7. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, directors and key management personal of the Company, and entity 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 period, all the directors have waived their right to receive the remuneration related to attending Board meetings.

Prices and terms of payment with related approval by management.

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. These transactions are approved by management of the following entities and Board of Directors of the Company.

Transactions with related parties:

	Relationship	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
Al Jomaih Automotive Company (AAC)	Shareholder		
Purchase of vehicles for lease		52,433,062	79,668,403
Shared service cost		1,718,650	1,655,324
Finance cost charged		2,405,644	4,139,364
Al Jomaih Holding Company	Other related party		
Finance cost charged		-	815,184
Expense recharge		5,372,727	-
Al Jomaih Rent-A-Car	Other related party		
Revenue		2,316,965	2,312,214

Key management personnel compensation comprised of the following transactions:

	For the nine months ended 30 September 2021 (Unaudited)	For the nine months ended 30 September 2020 (Unaudited)
<u>Transactions:</u>		
Compensation of key management executives	3,903,768	3,509,423

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7. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

Due to related parties:

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Al Jomaih Automotive Company (AAC)	209,191,201	144,668,675
Al Jomaih Holding Company (AJHC)	-	7,823,737
AL Jomaih Automotive ACDelco	200,400	-
	209,391,601	152,492,412

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:

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Al Jomaih Rent-a-Car Company (AJRC)	31,413,668	40,358,262
Al Jomaih Holding Company (AJHC)	5,372,727	-
Al Jomaih Equipment Company Limited	164,728	135,964
Al Jomaih Bottling Plants Limited (AJBP)	19,291	20,232
Al Jomaih Tyres Company (AJTC)	3,050	-
	36,973,464	40,514,458

Balance due from AJRC as at 30 September 2021 amounting to SR 23.9 million and SR 7.4 million has been classified under “net investment in finance leases” and” net investment in murabha finance”, respectively (31 December 2020: SR 31.3 million and SR 9.1 million, respectively).

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

8. SHARE CAPITAL

The pattern of shareholding as of 30 September 2021 and 31 December 2020 is as follows:

	Percentage of ownership	Number of shares	30 September 2021 Amount SR
Al Jomaih Automotive Company	96	28,800,000	288,000,000
Al Jomaih Rent-a-Car Company	1	300,000	3,000,000
Al Jomaih Energy and Water Company	1	300,000	3,000,000
Mohammed Abdul Aziz Abdullah Al Jomaih	1	300,000	3,000,000
Hamad Abdul Aziz Abdullah Al Jomaih	1	300,000	3,000,000
	100	30,000,000	300,000,000

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8. SHARE CAPITAL (Continued)

	Percentage of ownership	Number of shares	31 December 2020 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
	<u>100</u>	<u>40,000,000</u>	<u>400,000,000</u>

During the period ended 30 September 2021, Board of Directors' passed a resolution dated 25 March 2021 (corresponding to 12 Shaban 1442H) and shareholders passed a resolution in the extra ordinary general meeting held on 24 June 2021 (corresponding to 14 Dhul Qadah 1442H) for the decrease in share capital from SR 400,000,000 to SR 300,000,000 through the cancellation of 10 million shares equivalent to SR 100 million shares against the accumulated losses as at 30 September 2021. The legal formalities for the decrease in share capital are still in progress.

9. ZAKAT

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). 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 period / year, adjusted net income and certain other items.

	For the nine-month ended 30 September 2021 (Unaudited)	For the year ended 31 December 2020 (Audited)
Opening balance	<u>19,378,448</u>	24,695,945
<i>Zakat charge for the period / year:</i>		
Current period / year	4,293,248	1,552,482
Adjustment related to prior period / year	(10,000,000)	-
Payment during the period / year	<u>(1,612,290)</u>	<u>(6,869,979)</u>
	<u>12,059,406</u>	<u>19,378,448</u>

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

ZATCA has assessed Zakat returns of the Company from the year 2015 to 2017. During the period the Company has reversed the excess Zakat liability of SR 10 million for the prior periods.

a) Zakat assessment status

The Company has filed the Zakat return for the year ended 31 December 2018 till 2020 however, no assessment is raised by ZATCA.

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10. FINANCIAL INSTRUMENTS

The Company's principal financial assets include cash and cash equivalents, finance lease receivable and certain other receivables and equity investment. The Company's principal financial liabilities comprise trade payables, other payables and due to related parties. The main purpose of these financial liabilities is to finance the Company's operations.

Fair value hierarchy

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

All financial assets and financial liabilities are measured at amortized cost except for equity investment of SR 892,850 (December 2020: SR 892,850) which is classified under FVOCI and classified under level 3. As at reporting date, the fair values of all financial assets and financial liabilities measured at amortized cost approximate their carrying values.

11. CONTINGENCIES AND COMMITMENTS

The Company has no commitments and contingent liabilities as at 30 September 2021 (31 December 2020: Nil).

12. 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 interim condensed 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.

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

SAMA and other authorities' programs and initiatives launched

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. The management has provided an additional provision of SR 10.8 million during the current period. 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.

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 has 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.

During the period ended 31 March 2021, the Company was required to defer payments for additional three months upto 30 June 2021. The Company has provided extension to the customers for the said period. This has resulted in an additional recognition of modification loss amounting to SR 3.8 million.

During the period ended 30 June 2021 the Company was required to defer payments for additional three months upto 30 September 2021. The Company has provided extension to the customers for the said period. This has resulted in an additional recognition of modification loss amounting to SR 1.6 million.

During the three-month period ended 30 September 2021 to defer payments for additional three months upto 31 December 2021. However the customers have not yet accepted the payment deferral accordingly no extension is provided to the customers. No modification loss is recognised during the 3 month period ended 30 September 2021.

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

SAMA and other authorities' programs and initiatives launched (continued)

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.

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.

During the period ended 30 September 2021 the Company has participated in the loan guarantee program (Kafalah) and received an interest free loan of SR 32.6 million from SAMA and as of 30 September 2021 and accounted related receivables as per the government grant accounting requirements. As per the loan guarantee program the Company has issued financing to the customers at below market rate and recorded deferred loss accordingly.

As at 30 September 2021, the Company has not participated in SAMA's funding for lending and POS and e-commerce service fee support programs.

13. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved on 21 Rabi ul Awwal 1443H corresponding to 27 October 2021G.