

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

**CONDENSED INTERIM FINANCIAL  
INFORMATION (UNAUDITED)  
FOR THE THREE-MONTH PERIOD ENDED  
MARCH 31, 2020  
AND REPORT ON REVIEW OF INTERIM  
FINANCIAL INFORMATION**

**AL TAYSEER ARABIAN COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Condensed interim financial information (Unaudited)**  
**For the three-month period ended March 31, 2020**

<b>Table of contents</b>	<b>Page</b>
Report on review of interim financial information	2
Condensed interim statement of comprehensive income	3
Condensed interim statement of financial position	4
Condensed interim statement of changes in shareholders' equity	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial information	7 - 17



## *Report on review of interim financial information*

To the shareholders of Al Tayseer Arabian Company:  
(A Saudi Closed Joint Stock Company)

### **Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Al Tayseer Arabian Company as of March 31, 2020 and the related condensed statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### **Scope of review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

### **PricewaterhouseCoopers**

A handwritten signature in blue ink, appearing to read 'Ali H. Al Basri', is written over a horizontal line.

Ali H. Al Basri  
License Number 409

May 20, 2020

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

	Note	For the three-month period ended March 31,	
		2020 (Unaudited)	2019 (Unaudited)
Income from financing activities	10	<b>22,244,478</b>	18,608,531
<b>Expenses</b>			
Insurance and other initial direct costs		<b>(6,135,059)</b>	(7,349,233)
Loss on modification of finance lease and murabaha finance receivables	10	<b>(5,962,867)</b>	-
Salaries and other benefits		<b>(5,859,070)</b>	(4,602,137)
Impairment of financial assets	4.2, 5.2	<b>(3,009,377)</b>	(1,975,000)
Finance costs		<b>(2,908,398)</b>	(3,390,674)
Depreciation and amortization		<b>(834,723)</b>	(577,185)
Commissions and sales promotion		<b>(617,919)</b>	(266,082)
Other expenses		<b>(1,787,066)</b>	(1,639,583)
<b>Total expenses</b>		<b>(27,114,479)</b>	(19,799,894)
Other income	10	<b>3,210,404</b>	571,146
Finance income		<b>17,337</b>	-
<b>Loss before zakat</b>		<b>(1,642,260)</b>	(620,217)
Zakat expense, as restated	9	<b>(998,403)</b>	(8,895)
<b>Loss for the period</b>		<b>(2,640,663)</b>	(629,112)
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive loss for the period</b>		<b>(2,640,663)</b>	(629,112)

The accompanying notes from 1 to 13 form an integral part of this condensed interim financial information.

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

	Note	As at March 31, 2020 (Unaudited)	As at December 31, 2019 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment		6,290,752	6,597,237
Right-of-use assets		6,568,950	6,816,575
Intangible assets		5,239,230	5,420,465
Long-term deposit	8	18,750,449	18,750,449
Net investment in finance leases - non-current portion	4	308,388,114	291,614,860
Net investment in murabaha finance - non-current portion	5	33,235,475	22,836,643
Financial asset at fair value through other comprehensive income		892,850	892,850
		<b>379,365,820</b>	<b>352,929,079</b>
<b>Current assets</b>			
Prepayments and other receivables	7	23,557,856	19,629,545
Net investment in finance leases - current portion	4	267,851,940	275,290,825
Net investment in murabaha finance - current portion	5	18,064,270	20,313,219
Cash and cash equivalents	3	12,366,201	20,848,138
	1	<b>321,840,267</b>	<b>336,081,727</b>
<b>Total assets</b>		<b>701,206,087</b>	<b>689,010,806</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital		400,000,000	400,000,000
Statutory reserve		6,293,980	6,293,980
Accumulated deficit		<b>(105,903,990)</b>	<b>(103,263,327)</b>
<b>Total shareholders' equity</b>		<b>300,389,990</b>	<b>303,030,653</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	8	17,039,949	21,406,781
Lease liabilities		5,176,839	5,453,110
Employee termination benefits		5,835,781	6,050,563
		<b>28,052,569</b>	<b>32,910,454</b>
<b>Current liabilities</b>			
Current maturity of long-term borrowings	8	44,787,193	53,466,635
Due to related parties	6	242,557,723	222,986,964
Accounts payable		42,407,314	34,668,359
Accrued and other liabilities		16,321,223	16,232,485
Lease liabilities		995,727	1,019,311
Zakat payable	9	25,694,348	24,695,945
	1	<b>372,763,528</b>	<b>353,069,699</b>
<b>Total liabilities</b>		<b>400,816,097</b>	<b>385,980,153</b>
<b>Total shareholders' equity and liabilities</b>		<b>701,206,087</b>	<b>689,010,806</b>

The accompanying notes from 1 to 13 form an integral part of this condensed interim financial information.

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

Note	Share capital	Statutory reserve	Accumulated deficit	Total
<b>December 31, 2018 - audited</b>	400,000,000	6,293,980	(126,519,471)	279,774,509
Loss for the period, as restated	-	-	(629,112)	(629,112)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period, as restated	-	-	(629,112)	(629,112)
<b>March 31, 2019 - unaudited, as restated</b>	<b>400,000,000</b>	<b>6,293,980</b>	<b>(127,148,583)</b>	<b>279,145,397</b>
<b>December 31, 2019 - audited</b>	400,000,000	6,293,980	(103,263,327)	303,030,653
Loss for the period	-	-	(2,640,663)	<b>(2,640,663)</b>
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(2,640,663)	<b>(2,640,663)</b>
<b>March 31, 2020 - unaudited</b>	<b>400,000,000</b>	<b>6,293,980</b>	<b>(105,903,990)</b>	<b>300,389,990</b>

The accompanying notes from 1 to 13 form an integral part of this condensed interim financial information.

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

	Note	For the three-month period ended March 31,	
		2020 (Unaudited)	2019 (Unaudited)
<b>Cash flows from operating activities</b>			
Loss before zakat		(1,642,260)	(620,217)
<u>Adjustments for:</u>			
Allowance for expected credit losses ("ECL") on net investment in finance leases and murabaha finance receivables	4.2, 5.2	3,009,377	1,975,000
Loss on modification of finance lease and murabaha finance receivables	10	5,962,867	-
Government grant from SAMA	10	2,354,445	-
Gain on modification of long-term borrowings	8, 10	(235,769)	-
Depreciation and amortization		834,723	577,185
Finance costs - net		2,891,061	3,390,674
Provision for employee termination benefits		306,550	235,837
<u>Changes in working capital</u>			
Increase in net investment in finance leases and murabaha finance		(26,456,496)	(15,244,716)
Increase in prepayments and other receivables		(6,282,756)	(87,179)
Increase in accounts payable		7,738,955	2,536,090
Increase in accrued and other liabilities		88,738	5,563,235
Increase in due to related parties		19,570,759	25,981,394
Cash generated from operations		8,140,194	24,307,303
Finance costs paid		(2,908,398)	(3,390,674)
Finance income received on short-term murabaha deposits		17,337	-
Employee termination benefits paid		(521,332)	(104,098)
<b>Net cash inflow from operating activities</b>		<b>4,727,801</b>	<b>20,812,531</b>
<b>Cash flows from investing activity</b>			
Payments for purchase of property and equipment		(99,378)	(388,747)
<b>Cash flows from financing activities</b>			
Due to a related party		-	(10,000,000)
Repayment of long-term borrowings		(12,810,505)	(11,718,750)
Lease liabilities repaid		(299,855)	(514,712)
<b>Cash outflow from financing activities</b>		<b>(13,110,360)</b>	<b>(22,233,462)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(8,481,937)</b>	<b>(1,809,678)</b>
Cash and cash equivalents at beginning of the period	3	20,848,138	7,001,527
<b>Cash and cash equivalents at end of the period</b>		<b>12,366,201</b>	<b>5,191,849</b>
<b>Non-cash operating, investing and financing activities:</b>			
Right-of-use assets recorded against lease liabilities		-	6,694,794
Prepaid lease rentals adjusted against lease liabilities		-	357,500

The accompanying notes from 1 to 13 form an integral part of this condensed interim financial information.

**AL TAYSEER ARABIAN COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended March 31, 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**1. General information**

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

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 condensed interim financial information include the accounts of the Company and its branch registered in Khobar under CR number 2051055139 dated Muharram 21, 1435 H (November 25, 2013). The registered address of the Company is P.O. Box 224, King Abdullah Street, Khobar 31411, Kingdom of Saudi Arabia.

At March 31, 2020, the Company's current liabilities exceeded its current assets by Saudi Riyals 50.9 million which is primarily due to amounts payable to AAC, a shareholder of the Company. AAC has confirmed to the Company that repayment of such balance will be required after considering the liquidity position of the Company.

This condensed interim financial information has been reviewed, not audited.

**2. Basis of preparation**

**2.1** The condensed interim financial information of the Company as at and for the three-month period ended March 31, 2020 has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia ("KSA"), and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

The condensed interim financial information of the Company as at and for the three-month period March 31, 2019, was prepared in compliance with IAS 34 as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax). As per the SAMA circular number 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax were to be accrued through shareholders' equity under retained earnings.

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

Accordingly, the Company changed its accounting treatment for zakat by retrospectively adjusting the impact in line with International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors' ("IAS 8") in the annual financial statements for the year ended December 31, 2019. The Company has also changed the presentation of the comparative condensed interim financial information for the three-month period ended March 31, 2019, in the accompanying condensed interim financial information, to reflect such change. The effects of this change in accounting policy on the condensed interim statements of comprehensive income and changes in shareholders' equity for the three-month period ended March 31, 2019 are disclosed in Note 11 to this condensed interim financial information.



**AL TAYSEER ARABIAN COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended March 31, 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**2. Basis of preparation** (continued)

- 2.2** The condensed interim financial information does not include all information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2019.
- 2.3** The principal accounting policies applied in the preparation of this condensed interim financial information of the Company are consistent with those of the previous financial year. Also see Note 2.1 above.

Accounting policies' excerpts, in addition to those disclosed in the annual audited financial statements for the year ended December 31, 2019, in respect of certain transactions and events which have impacted the condensed interim financial information for the three-month period ended March 31, 2020 have been presented below. Also see Note 10.

**2.3.1 Modifications of financial assets and financial liabilities**

**2.3.1.1 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.

**2.3.1.1 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.

**2.3.2 Government grant**

The Company recognizes 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 International Financial Reporting Standard 9 'Financial Instruments' ("IFRS 9"). 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 International Accounting Standard 20 'Accounting for Government Grants and Disclosure of Government Assistance' ("IAS 20"). The government grant is recognised in the condensed interim statement of comprehensive income on a systematic basis over the period in which the Company recognises as expenses the related costs for which the grant is intended to compensate.

**AL TAYSEER ARABIAN COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended March 31, 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**2. Basis of preparation (continued)**

**2.4 New and amended standards**

A number of new or amended standards became applicable for the current reporting period. The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. The interim results may not represent a proper indication of the annual results of operations.

Certain new accounting standards and interpretations have been published that are not mandatory for March 31, 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

**2.5 Critical accounting estimates and judgements**

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed interim financial information, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited financial statements as at and for the year ended December 31, 2019 except for 'Allowance for ECL' and 'Government grant' which have been discussed under Note 10.

**3. Cash and cash equivalents**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Cash at banks	<b>12,124,438</b>	13,376,368
Cash in hand	<b>241,763</b>	271,770
Term deposits	-	7,200,000
	<b>12,366,201</b>	20,848,138

Term deposits as at December 31, 2019 were murabaha deposits placed with a commercial bank, with a maturity period of three months or less from date of placement and yielded financial income at 1.50% per annum. These deposits have matured in January 2020.

**AL TAYSEER ARABIAN COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended March 31, 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**4. Net investment in finance leases**

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

		<b>March 31, 2020</b>	<b>December 31, 2019</b>
	<b>Note</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Gross investment in finance leases		<b>896,662,177</b>	879,350,624
Unearned finance income		<b>(181,141,467)</b>	(180,348,418)
Present value of minimum lease payments receivable		<b>715,520,710</b>	699,002,206
Modification loss	10	<b>(4,545,715)</b>	-
Allowance for ECL		<b>(134,734,941)</b>	(132,096,521)
Net investment in finance leases		<b>576,240,054</b>	566,905,685
Investment in finance leases - non-current portion		<b>(308,388,114)</b>	(291,614,860)
Investment in finance leases - current portion		<b>267,851,940</b>	275,290,825

**4.2 The movement in allowance for ECL on lease receivables is as follows:**

	<b>For the three- month period ended March 31, 2020</b>	<b>For the year ended December 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance	<b>132,096,521</b>	126,941,967
Additions	<b>2,638,420</b>	5,154,554
Closing balance	<b>134,734,941</b>	132,096,521

**5. Net investment in murabaha finance**

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

		<b>March 31, 2020</b>	<b>December 31, 2019</b>
	<b>Note</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Gross investment in murabaha finance		<b>58,981,969</b>	48,668,475
Unearned murabaha finance income		<b>(5,609,264)</b>	(5,233,762)
Present value of minimum murabaha finance receivable		<b>53,372,705</b>	43,434,713
Modification loss	10	<b>(1,417,152)</b>	-
Allowance for ECL		<b>(655,808)</b>	(284,851)
Net investment in murabaha finance		<b>51,299,745</b>	43,149,862
Net investment in murabaha finance - non-current portion		<b>(33,235,475)</b>	(22,836,643)
Net investment in murabaha finance - current portion		<b>18,064,270</b>	20,313,219

**AL TAYSEER ARABIAN COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended March 31, 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**5. Net investment in murabaha finance** (continued)

**5.2 The movement in allowance for ECL on murabaha finance is as follows:**

	<b>For the three-month period ended March 31, 2020</b>	<b>For the year ended December 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance	<b>284,851</b>	-
Additions	<b>370,957</b>	284,851
Closing balance	<b>655,808</b>	284,851

During 2019, the Company had started Murabaha finance after obtaining license from SAMA. As at March 31, 2020, the outstanding balances are considered performing. The provision on the outstanding balance was recognised based on ECL.

**6. Related party transactions and balances**

The Company is a member of group of companies which is directly or indirectly controlled by AJHC (collectively "related parties").

**6.1** Significant transactions with related parties included in the condensed interim financial information are summarized below:

	<b>For the three-month period ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Purchase of vehicles from AAC	<b>35,537,640</b>	32,033,211
Shared service costs charged by AAC	<b>595,537</b>	640,930
Finance cost charged by AAC	<b>1,583,921</b>	1,120,131
Finance cost charged by AJHC	<b>393,000</b>	1,100,344
<b>Key management personnel compensation</b>		
Salaries and other employee benefits	<b>1,229,625</b>	1,422,187

**6.2 Due to related parties**

	<b>March 31, 2019</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
AJHC	<b>22,472,251</b>	23,677,905
AAC	<b>220,021,596</b>	199,124,223
Al Jomaih Bottling Plants Limited	<b>63,876</b>	184,836
	<b>242,557,723</b>	222,986,964

**AL TAYSEER ARABIAN COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended March 31, 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**6. Related party transactions and balances (continued)**

**6.2 Due to related parties (continued)**

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.

Balance due to AJHC is repayable in equal quarterly installments and the last scheduled installment is due on September 30, 2020. These amounts bear financial charges at prevailing variable market rates. A receivable balance of Saudi Riyals 9.3 million has been offset from the above balance as at March 31, 2020 (December 31, 2019: Saudi Riyals 8.5 million).

**6.3 Due from related parties**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Al Jomaih Rent-a-Car Company ("AJRC")	<b>37,144,652</b>	40,532,540
Al Jomaih Equipment Company Limited	<b>282,202</b>	266,664
Al Jomaih Tyres Company	<b>112,074</b>	103,414
	<b>37,538,928</b>	40,902,618

Balance due from AJRC as at March 31, 2020 amounting to Saudi Riyals 31.0 million and Saudi Riyals 6.1 million has been classified under 'Net investment in finance leases' and 'Net investment in murabaha finance', respectively (December 31, 2019: Saudi Riyals 35.4 million and Saudi Riyals 5.1 million, respectively).

The remaining balance due from related parties is classified under 'Prepayments and other receivables' Also see Note 7.

**7. Prepayments and other receivables**

	<b>Note</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Insurance claims receivable		<b>14,562,506</b>	14,957,540
Government grant from SAMA	10	<b>2,354,445</b>	-
Due from related parties	6	<b>394,276</b>	370,078
Repossessed assets held for resale		<b>372,275</b>	372,275
Prepaid insurance		<b>126,306</b>	469,902
Other receivables		<b>7,826,698</b>	5,538,400
		<b>25,636,506</b>	21,708,195
Allowance for ECL		<b>(2,078,650)</b>	(2,078,650)
		<b>23,557,856</b>	19,629,545

**AL TAYSEER ARABIAN COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended March 31, 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**7. Prepayments and other receivables (continued)**

At March 31, 2020, the Company had net outstanding insurance claims receivable amounting to Saudi Riyals 9.7 million (December 31, 2020: Saudi Riyals 9.7 million) from an insurance service provider with which the Company had previously suspended its business activities in prior years. During the three-month period ended March 31, 2020, the Company has contracted the services of the same insurance provider for assets leased to its customers in the normal course of business. Under the terms of such underlying arrangement, the Company will adjust such outstanding claims during 2020 against the insurance premium amounts payable. Also see Note 10.

**8. Long-term borrowings - secured**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Commercial bank loan	<b>44,787,193</b>	56,505,943
Government bank loan	<b>17,039,949</b>	18,367,473
	<b>61,827,142</b>	74,873,416
Less: current maturity shown under current liabilities	<b>(44,787,193)</b>	(53,466,635)
	<b>17,039,949</b>	21,406,781

**8.1 Commercial bank loan**

During the year 2016, the Company entered into a Murabaha Financing Agreement (the "Agreement") with a commercial bank amounting to Saudi Riyals 187.5 million secured against lease receivables. The loan is repayable in 48 equal monthly installments. The loan is denominated in Saudi Riyals and bears financial charges based on prevailing market rates. The covenants of the borrowing facility requires the Company to maintain certain levels of financial condition, places limitations on dividends distribution, changes in shareholding structure and disposal of its assets.

As at March 31, 2020, the Company has assigned lease receivables to the bank amounting to Saudi Riyals 56.0 million representing 125% of the outstanding loan balance as at March 31, 2020 (December 31, 2019: Saudi Riyals 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 September 2021.

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 September 2021.

As at March 31, 2020, the Company was not in compliance with a loan covenant related to maintaining a current ratio of not less than 1:1, as laid out in the Agreement. Consequently, borrowings of the Company under such Agreement at March 31, 2020 amounting to Saudi Riyals 44.8 million became payable on demand and, accordingly, have been classified under current liabilities in the accompanying condensed interim statement of financial position. Management is in the process of obtaining waiver for such breach of covenant from the concerned commercial bank and is confident of obtaining such waiver before June 30, 2020.

**AL TAYSEER ARABIAN COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended March 31, 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**8. Long-term borrowings - secured (continued)**

**8.2 Government bank loan**

During the year ended December 31, 2019, the Company entered into a financing agreement with Social Development Bank (“SDB”) amounting to Saudi Riyals 20.0 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 utilised such funds to provide finance services to SMEs within a defined range of finance rates.

The aggregate maturity of the outstanding loan is spread through 2023. Also see Note 10.

**9. Provision for zakat**

	<b>For the three- month period ended March 31, 2020</b>	<b>For the year ended December 31, 2019</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Opening balance	<b>24,695,945</b>	51,160,640
Provision for the period / year		
For current year	<b>998,403</b>	3,934,079
Adjustment related to prior years	-	(30,398,774)
Closing balance	<b>25,694,348</b>	24,695,945

During the year ended December 31, 2019, the General Authority of Zakat and Tax (the “GAZT”) had provided a revised formula for computation of zakat from the year 2019 and onwards for companies involved in financing activities. Provision for zakat is calculated at 2.578% of the zakat base subject to minimum and maximum capping / threshold of 4 times or 8 times of net loss before zakat. Previously, provision for zakat was calculated at 2.5% of zakat base and adjusted net income, whichever is higher. The Company has computed zakat charge for the three-month period ended March 31, 2020 based on such revised formula which has been recognized in the condensed interim statement of comprehensive income.

***Status of assessments***

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

During the three-month period ended March 31, 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 Saudi Riyals 37.3 million based on zakat assessments as previously finalized by the GAZT. As per the notice, the Company is required to pay Saudi Riyals 6.9 million as final settlement of zakat liability for the years 2015 through 2017. The Company had adjusted the additional provision for zakat of Saudi Riyals 30.4 million maintained for such years during the year ended December 31, 2019 as an adjusting subsequent event.

**AL TAYSEER ARABIAN COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended March 31, 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**10. Impact of COVID-19 on ECL and SAMA programs**

During March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the KSA. 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. The Company has evaluated the current situation through analysis of expected movements of oil prices and its impact on key performance indicators in addition to other risk management practices to manage the potential business disruption due to COVID-19 outbreak that may have on its operations and financial performance. The steps taken by management also include review of credit exposure concentrations at a more granular level, and appropriately restructuring loans, where required. These also take into consideration the impacts of government and SAMA support relief programs.

These current events and the prevailing economic condition require the Company to revise certain inputs and assumptions used for the determination of ECL. These would primarily revolve around adjusting macroeconomic factors used by the Company in estimation of ECL and revisions to the scenario probabilities currently being used by the Company in ECL estimation. The adjustments to macroeconomic factors resulted in an additional ECL of Saudi Riyals 4.4 million for the Company. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgemental, and the Company will continue to reassess its position and the related impact on a regular basis.

At this point in time, it is difficult to ascertain the specific effects the health crisis and government and SAMA support measures, such as the repayment holidays and other mitigating packages, will have. The Company has therefore concluded that it was too early for any potential credit impairment to be reflected and focused on the macroeconomic model underpinning the probability of default and loss given default determinations. The Company will continue to individually assess significant corporate exposures as more reliable data becomes available and accordingly determine if any further adjustment in the ECL is required in subsequent reporting periods.

**SAMA and other public authorities’ support programs and initiatives**

In response to COVID-19, SAMA launched the *Private Sector Financing Support Program* (“PSFSP”) in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises (“MSME”) as per the definition issued by SAMA via Circular No. 381000064902 dated Jumada II 16, 1438H.

As part of the deferred payments program under the PSFSP, the Company is required to defer payments for six months on lending facilities to those companies that qualify as MSMEs. 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 effected 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 and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This has resulted in the Company recognising a day 1 modification loss of Saudi Riyals 6.0 million as at March 31, 2020. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.



**AL TAYSEER ARABIAN COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended March 31, 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**10. Impact of COVID-19 on ECL and SAMA programs (continued)**

The Company and SAMA have agreed for an interest free loan of Saudi Riyals 31.7 million which shall be repayable in 36 equal monthly instalments of Saudi Riyals 880,556 each starting from November 4, 2020 and the interest free portion thereon has been considered as a government grant. Management has determined based on the communication from SAMA, that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments from customers. Furthermore, it should be noted that management determined that whilst the period of the loan was initially 6 months, SAMA has clarified subsequent to the three-month period ended March 31, 2020 that the period was intended to compensate for the modification loss and was adjusted to 36 months. This has been accounted for as a subsequent adjusting event as this merely clarified conditions existing at the balance sheet date.

The total modification loss of Saudi Riyals 6.0 million was recognised immediately and presented separately in the accompanying condensed interim statement of comprehensive income for the three-month period ended March 31, 2020 as 'Loss on modification of finance lease and murabaha finance receivables. The benefit of the subsidized funding rate resulted in a day 1 gain of Saudi Riyals 2.4 million which has been recognised as part of other income in the accompanying condensed interim statement of comprehensive income to compensate the Company for the modification loss recognised. The amount of Saudi Riyals 31.7 million was received in cash on April 5, 2020, but the conditions for the government grant were met as of March 31, 2020 and as such the interest free portion thereon considered as government grant was accounted for in the condensed interim statement of financial position.

The Company has also been allowed deferment of periodic instalments aggregating to Saudi Riyals 17.3 million up to twelve months on a government bank loan, which resulted in a modification gain of Saudi Riyals 0.2 million on long-term borrowings.

Subsequent to the three-month period ended March 31, 2020, SAMA has issued further guidance around additional COVID-19 support measures for MSMEs that the Company will need to undertake in relation to MSMEs deferred payments program. The Company will accordingly consider the guidance issued and evaluate the accounting impact in condensed interim financial information for the three-month and six-month periods ending June 30, 2020.

**11. Restatement due to change in accounting treatment relating to zakat**

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

**For the three-month period ended March 31, 2019:**

<b>Financial information impacted</b>	<b>Account</b>	<b>As previously stated for the three-month period ended March 31, 2019</b>	<b>Effect of restatement relating to zakat</b>	<b>As restated for the three-month period ended March 31, 2019</b>
Condensed interim statement of changes in shareholders' equity	Zakat charge for the period	8,895	(8,895)	-
Condensed interim statement of comprehensive income	Zakat expense	-	8,895	8,895

The above change in accounting treatment did not have any effect on the statement of financial position as at December 31, 2019 and the condensed interim statement of cash flows for the three-month period ended March 31, 2019.

**AL TAYSEER ARABIAN COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Notes to the condensed interim financial information**  
**For the three-month period ended March 31, 2020 (Unaudited)**  
(All amounts in Saudi Riyals unless otherwise stated)

**12. Comparative figures**

For better presentation, certain amounts in the comparative financial information have been reclassified to conform to 2020 presentation as illustrated below. The change in classification of expenses in the condensed interim statement of comprehensive income is as a result of management opting to present its expenses by nature instead of function. Such reclassification did not have any effect on the statement of financial position as at December 31, 2019 and the condensed interim statements of changes in shareholders' equity and cash flows for the three-month period ended March 31, 2019.

	<b>Amount previously reported</b>	<b>Reclassification</b>	<b>Amount after reclassification</b>
<b>Condensed interim statement of comprehensive income</b>			
Selling and marketing	(4,246,531)	4,246,531	-
General and administrative	(2,838,456)	2,838,456	-
Salaries and other benefits	-	(4,602,137)	(4,602,137)
Commissions and sales promotion	-	(577,185)	(577,185)
Depreciation and amortization	-	(266,082)	(266,082)
Other expenses	-	(1,639,583)	(1,639,583)
	<u>(7,084,987)</u>	<u>-</u>	<u>(7,084,987)</u>

**13. Date of authorization of issue**

The accompanying condensed interim financial information was authorized for issuance by the Company's Board of Directors on May 20, 2020.