

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTH AND NINE MONTH
PERIODS ENDED 30 SEPTEMBER 2020

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

INDEX	PAGE
Independent auditor's report on review of condensed interim financial statements	-
Condensed statement of financial position	1
Condensed statement of profit or loss and other comprehensive income	2
Condensed statement of changes in shareholders' equity	3
Condensed statement of cash flows	4
Notes to the condensed interim financial statements	5 – 15



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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 2020 condensed interim financial statements of Al Tayseer Arabian Company ("the Company"), which comprises:

- the condensed statement of financial position as at 30 September 2020;
- the condensed statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2020;
- the condensed statement of changes in shareholders' equity for the nine-month period ended 30 September 2020;
- the condensed statement of cash flows for the nine-month period ended 30 September 2020; 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.



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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2019 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.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2019 and for the nine-month period ended 30 September 2019 were audited / reviewed by another auditor who expressed an unmodified audit opinion / review conclusion on those statements on 10 March 2020 and 28 November 2019 respectively.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdulaziz Abdullah Alnaim
License No: 394

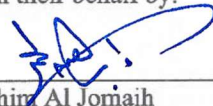



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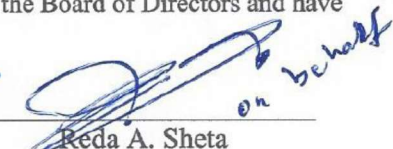
AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020
(Expressed in Saudi Riyals)

		30 September 2020 (Unaudited)	31 December 2019 (Audited)
Assets	Note		
Non-current assets			
Property and equipment		5,704,731	6,597,237
Right-of-use assets		5,987,997	6,816,575
Intangible assets		4,861,746	5,420,465
Long term deposit		18,750,449	18,750,449
Net investment in finance lease	3	340,020,558	291,614,860
Net investment in murabaha finance	3	33,906,584	22,836,643
Investment		892,850	892,850
Total non-current assets		410,124,915	352,929,079
Current assets			
Prepayments and other receivables	4	30,307,489	19,629,545
Current portion of net investment in finance lease	3	213,450,917	275,290,825
Current portion of net investment in murabaha finance	3	46,616,571	20,313,219
Cash and cash equivalents	5	63,942,167	20,848,138
Total current assets		354,317,144	336,081,727
Total assets		764,442,059	689,010,806
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	8	400,000,000	400,000,000
Statutory reserve		6,293,980	6,293,980
Accumulated losses		(145,242,081)	(103,263,327)
Total shareholders' equity		261,051,899	303,030,653
Liabilities			
Non-current liabilities			
Long term borrowings	6	150,232,773	21,406,781
Lease liabilities		4,887,840	5,453,110
Employees' end of service benefits		6,825,310	6,050,563
Total non-current liabilities		161,945,923	32,910,454
Current liabilities			
Current maturity of long-term borrowings	6	63,923,295	53,466,635
Accounts payables		25,662,437	34,668,359
Accrued expenses and other liabilities		21,802,413	16,232,485
Due to related parties	7	205,613,152	222,986,964
Current portion of lease liabilities		1,032,825	1,019,311
Provision for Zakat	9	23,410,115	24,695,945
Total current liabilities		341,444,237	353,069,699
Total liabilities		503,390,160	385,980,153
Total shareholders' equity and liabilities		764,442,059	689,010,806

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-Ya'esh
Chief Executive Officer


Reda A. Sheta
Accounting Manager

The accompanying notes from 1 to 14 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 THREE MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020
(Expressed in Saudi Riyals)

	Note	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
INCOME					
Finance lease income, net		18,296,731	17,508,658	55,769,828	55,174,875
EXPENSES					
Insurance and other cost		(5,148,786)	(6,138,164)	(16,585,926)	(19,549,822)
Salaries and employee related expenses		(5,050,516)	(6,178,241)	(16,885,818)	(16,038,176)
Provision for expected credit losses		(44,482,631)	(4,572,467)	(51,366,156)	(5,293,826)
Financial charges		(2,858,602)	(3,539,025)	(3,823,233)	(10,185,212)
Depreciation and amortization		(841,543)	(1,217,933)	(2,548,455)	(2,043,096)
Commissions and sales promotion		(432,950)	(280,268)	(1,453,980)	(1,073,778)
Other general and administrative expenses		(2,370,967)	(1,471,741)	(6,465,300)	(6,817,798)
Total expenses		(61,185,995)	(23,397,839)	(99,128,868)	(61,001,708)
Other income					
Other income, net		1,437,718	1,093,173	2,341,116	3,050,624
Financial income		13,778	64,729	37,573	64,729
Loss before Zakat		(41,437,768)	(4,731,279)	(40,980,351)	(2,711,480)
Zakat expense	9	-	(66,976)	(998,403)	(272,379)
Loss for the period		(41,437,768)	(4,798,255)	(41,978,754)	(2,983,859)
Other comprehensive income for the period		-	-	-	-
Total comprehensive loss for the period		(41,437,768)	(4,798,255)	(41,978,754)	(2,983,859)
Loss per share – basic and diluted		(1.04)	(0.12)	(1.05)	(0.07)

The accompanying notes from 1 to 14 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 2020
(Expressed in Saudi Riyals)

	Share capital	Statutory reserve	Accumulated losses	Total
Balance as at 1 January 2019	400,000,000	6,293,980	(102,213,972)	304,080,008
Loss for the period	-	-	(15,121,278)	(15,121,278)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(15,121,278)	(15,121,278)
Balance as at 30 September 2019	400,000,000	6,293,980	(117,335,250)	288,958,730
Balance as at 1 January 2020	400,000,000	6,293,980	(103,263,327)	303,030,653
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

The accompanying notes from 1 to 14 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 2020
(Expressed in Saudi Riyals)

	Note	2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Loss before Zakat		(40,980,351)	(2,711,480)
<i>Adjustments for:</i>			
Gain on modification of loan		(5,752,944)	-
Loss on modification of lease receivable		8,826,379	-
Allowance for expected credit losses		51,366,156	5,293,826
Depreciation and amortization		2,548,455	2,043,096
Finance cost		8,938,375	10,120,483
Employees' end of service benefits		1,688,580	679,720
		26,634,650	15,425,645
<i>Changes in:</i>			
Net investment in finance lease		(84,131,618)	(7,182,950)
Prepayments and other receivables		(10,677,944)	3,901,004
Due to related parties		(17,373,812)	56,878,719
Trade payables		(9,005,922)	(6,958,503)
Accrued expenses and other liabilities		5,569,928	158,049
		(88,984,718)	62,221,964
Finance cost paid		(8,938,375)	(9,916,207)
Employee termination benefits paid		(913,833)	(2,002,178)
Zakat paid		(2,284,233)	-
Net cash (used in) / generated from operating activities		(101,121,159)	50,303,579
Cash flows from investing activities			
Acquisition of property and equipment		(228,777)	(1,045,290)
Acquisition of intangible assets		(39,375)	-
Net cash used in investing activities		(268,152)	(1,045,290)
Cash flows from financing activities			
Proceeds from long-term borrowings		166,700,000	20,000,000
Repayments of long-term borrowings		(21,886,269)	(35,156,250)
Finance lease liabilities repaid		(754,500)	(919,500)
Cash generated from / (used in) financing activities		144,059,231	(16,075,750)
Net increase in cash and cash equivalents		42,669,920	33,182,539
Cash and cash equivalents at beginning of the period		20,848,138	7,001,527
Cash and cash equivalent at end of the period	5	63,518,058	40,184,066

The accompanying notes from 1 to 14 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 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 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 2020 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 Certified Public 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. Except for the impact as stated below, 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 2019.

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.

- 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)

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.

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 2021.

- IFRS 17 Insurance Contracts
- Definition of Business (Amendments to IFRS 3).
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).
- IFRS 14 – Regulatory deferral accounts.
- Classification of liabilities as current or non-current (Amendments to IAS 1).

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 2019 other than policies which are disclosed below:

A. Modifications of financial assets and financial liabilities

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.

B. Government grant

The Company recognises 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 the interim condensed statement of 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
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Expressed in Saudi Riyals)

3. NET INVESTMENT IN LEASES

Net Investment in finance lease	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Gross investment in finance lease	819,929,913	879,350,624
Less: Unearned income	(171,905,404)	(180,348,418)
Net investment in finance leases	648,024,509	699,002,206
Modification loss	(7,409,227)	-
Provision for expected credit loss	(87,143,807)	(132,096,521)
	553,471,475	566,905,685
Non-current portion	(340,020,558)	(291,614,860)
Current portion	213,450,917	275,290,825

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

	For the nine-month ended 30 September 2020 (Unaudited)	For the year ended 31 December 2019 (Audited)
Balance at the beginning of the period / year	132,096,521	126,941,967
Allowance for the period / year	50,807,760	5,154,554
Written off during the period	(95,760,474)	-
	87,143,807	132,096,521

A. Net investment in murabaha finance

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Gross investment in murabaha finance	92,478,578	48,668,475
Less: Unearned income	(9,482,463)	(5,233,762)
Net investment in murabaha finance	82,996,115	43,434,713
Modification loss	(1,417,152)	-
Provision for expected credit loss	(1,055,808)	(284,851)
	80,523,155	43,149,862
Non-current portion	(33,906,584)	(22,836,643)
Current portion	46,616,571	20,313,219

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

	For the nine-month ended 30 September 2020 (Unaudited)	For the year ended 31 December 2019 (Audited)
Balance at the beginning of the period / year	284,851	-
Allowance for the period / year	770,957	284,851
	1,055,808	284,851

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Expressed in Saudi Riyals)

4. PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Insurance claim receivable	4,288,460	14,957,540
Due from related parties	9,484,236	370,078
Repossessed assets held for sale	-	372,275
Prepaid insurance	8,740,500	469,902
Other receivables	9,872,943	5,538,400
	32,386,139	21,708,195
Provision for impairment loss	(2,078,650)	(2,078,650)
	30,307,489	19,629,545

5. CASH AND CASH EQUIVALENTS

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Cash in hand	152,892	271,770
Bank balances	23,789,275	13,376,368
Short term deposits	40,000,000	7,200,000
	63,942,167	20,848,138

6. LONG TERM BORROWINGS

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Commercial bank loan	142,217,294	56,505,943
Government loan	71,938,774	18,367,473
	214,156,068	74,873,416
Less: current maturity	(63,923,295)	(53,466,635)
	150,232,773	21,406,781

Commercial Loan

During the current period, the Company entered into additional Murabaha 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. As at 30 September 2020, the Company has assigned lease receivables to the bank amounting to SR 180.37 million representing 125% of the outstanding loan balance as at 30 September 2020 (31 December 2019: SR 70.6 million).

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(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 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 30 September 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 30 September 2020 amounting to SR 142.22 million became payable on demand and, accordingly, have been classified under current liabilities in the condensed interim statement of financial position.

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 Saudi Riyals 20 million. The loan is repayable in 36 equal monthly installments. The loan is denominated in Saudi Riyals and bears finance costs at nominal rates. In addition to other conditions laid out by SDB, the Company 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 current period ended 30 September 2020, the Company has entered into another financing agreement with Social Development Bank ("SDB") amounting to SR 35 million under the same terms and conditions as the first loan.

Saudi Arabian Monetary Authority:

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 31.7 million from SAMA during the period ended 30 September 2020. 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 in August 2020.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Expressed in Saudi Riyals)

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:

		For the nine months ended 30 September 2020 (Unaudited)	For the nine months ended 30 September 2019 (Unaudited)
Al Jomaih Automotive Company (AAC)	Relationship Shareholder		
Purchase of vehicles for lease		79,668,403	105,720,071
Shared service cost		1,655,324	1,613,597
Finance cost charged		4,139,364	4,022,814
Al Jomaih Holding Company	Other related party		
Finance cost charged		815,184	2,486,696

Key management personnel compensation comprised of the following transactions:

	For the nine months ended 30 September 2020 (Unaudited)	For the nine months ended 30 September 2019 (Unaudited)
<u>Transactions:</u>		
Compensation of key management executives	3,509,423	3,982,497

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Expressed in Saudi Riyals)

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 2020 (Unaudited)	31 December 2019 (Audited)
Al Jomaih Automotive Company (AAC)	205,613,152	199,124,223
Al Jomaih Holding Company (AJHC)	-	23,677,905
Al Jomaih Bottling Plants Limited (AJBP)	-	184,836
	205,613,152	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:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Al Jomaih Rent-a-Car Company (AJRC)	43,166,544	40,532,540
Al Jomaih Holding Company (AJHC)	9,041,437	-
Al Jomaih Equipment Company Limited	296,532	266,664
Al Jomaih Tyers Company	118,174	103,414
Al Jomaih Bottling Plants Limited	28,093	-
	52,650,779	40,902,618

Balance due from AJRC as at 30 September 2020 amounting to SR 33.59 million and SR 9.56 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.

8. SHARE CAPITAL

The pattern of shareholding as of 30 September 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 CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Expressed in Saudi Riyals)

9. 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 period / year, adjusted net income and certain other items.

	For the nine months ended 30 September 2020 (Unaudited)	For the year ended 31 December 2019 (Audited)
Opening balance	24,695,945	51,160,640
<i>Zakat charge for the period / year:</i>		
Current period / year	998,403	3,934,079
Adjustment related to prior period / year	-	(30,398,774)
Payment during the period / year	(2,284,233)	-
	23,410,115	24,695,945

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

a) Zakat assessment status

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

During the nine-month period ended 30 September 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 Riyals 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 as an adjusting subsequent event.

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 2019: 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 2020 (31 December 2019: 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.

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 51.36 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 3).

12. 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 is 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 three-month period ended 30 September 2020.

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 three months deferred payment program, the Company is expected to receive SR 17 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 2.6 million and the same has been recognised in the interim condensed statement of profit or loss for the period ended 30 September 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 in period ended 30 September 2020 accordingly.

As at 30 September 2020, the Company has not participated in SAMA's funding for lending, loan guarantee and POS and e-commerce service fee support programs.

13. COMPARATIVE FIGURES

Certain amounts in the comparative financial information have been reclassified to conform to current period presentation which is a better reflection of the relevant information.

Such reclassification did not have any effect on the condensed interim statement of financial position as at 31 December 2019 and the condensed interim statement of shareholders equity and cash flows for the nine-month period ended 30 September 2020.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Expressed in Saudi Riyals)

13. COMPARATIVE FIGURES (Continued)

Condensed interim statement of profit or loss and other comprehensive income	Amount previously reported	Reclassification	Amount after reclassification
Selling and marketing	10,057,768	(10,057,768)	-
General and administrative	15,915,080	(15,915,080)	-
Salaries and other benefits	-	16,038,176	16,038,176
Commission and sales promotion	-	1,073,778	1,073,778
Depreciation and amortization	-	2,043,096	2,043,096
Other expenses	-	6,817,798	6,817,798
	<u>25,972,848</u>	<u>-</u>	<u>25,972,848</u>

14. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved on 11 Rabi ul Awal 1442H corresponding to 28 October 2020G.