

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2022

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE PERIOD ENDED 31 MARCH 2022

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Commercial Registration No 2051062328

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

الطابق ١٦، برج البرعش
٦١٨٩ طريق الأمير تركي، الكورنيش
ص.ب ٤٨٠٣
الخبير ٣٤٤١٢ - ٣١٤٦
المملكة العربية السعودية
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي في الرياض

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 31 March 2022 condensed interim financial statements of Al Tayseer Arabian Company ("the Company") which comprises:

- the condensed statement of financial position as at 31 March 2022;
- the condensed statements of profit or loss and other comprehensive income for the three-month period ended 31 March 2022;
- the condensed statement of changes in shareholders equity for the three-month period ended 31 March 2022;
- the condensed statement of cash flows for the three-month period ended 31 March 2022; 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 the 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2022 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, 27 Ramadan 1443H

Corresponding to: 28 April 2022G



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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥٠٠٠٠٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للفران وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المسجلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022
(Expressed in Saudi Riyals)

		31 March 2022	31 December 2021
	Note	(Unaudited)	(Audited)
Assets			
Non-current assets			
Property and equipment		6,017,462	6,474,658
Right-of-use assets		4,975,174	5,392,808
Intangible assets		5,138,668	4,291,310
Long term deposit		18,750,449	18,750,449
Net investment in finance lease	3	449,665,172	375,460,885
Net investment in murabha finance	3	214,991,623	148,272,323
Investment		11,346,283	21,307,640
Total non-current assets		710,884,831	579,950,073
Current assets			
Prepayments and other receivables	4	34,844,657	23,912,335
Current portion of net investment in finance lease	3	324,304,144	368,823,503
Current portion of net investment in murabha finance	3	60,013,319	86,340,474
Cash and cash equivalents	5	11,029,086	39,260,553
Total current assets		430,191,206	518,336,865
Total assets		1,141,076,037	1,098,286,938
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	8	300,000,000	300,000,000
Statutory reserve		11,705,676	11,705,676
Retained earnings		37,030,887	22,554,212
Total shareholders' equity		348,736,563	334,259,888
Liabilities			
Non-current liabilities			
Long term borrowings	6	220,340,757	182,413,394
Lease liabilities		3,162,008	3,363,889
Employees' end of service benefits		5,006,532	4,952,735
Total non-current liabilities		228,509,297	190,730,018
Current liabilities			
Account payables		79,273,882	100,928,458
Accrued expenses and other liabilities		51,164,966	41,699,620
Current maturity of long-term borrowings	6	214,544,278	225,056,368
Short term borrowing		24,899,151	24,899,151
Due to related parties	7	177,208,234	164,630,828
Current portion of lease liabilities		1,993,640	1,916,006
Provision for Zakat	9	14,746,026	14,166,601
Total current liabilities		563,830,177	573,297,032
Total liabilities		792,339,474	764,027,050
Total shareholders' equity and liabilities		1,141,076,037	1,098,286,938

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-Yaash Chief Executive Officer	Moayad A. Shakhour Financial and Planning Manager

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 THREE PERIOD ENDED 31 MARCH 2022
(Expressed in Saudi Riyals)

	Note	For the three-month period ended 31 March	
		2022 (Unaudited)	2021 (Unaudited)
INCOME			
Finance lease income, net		36,727,391	25,431,885
EXPENSES			
Loss on modification of finance lease and murabha finance receivables		-	(4,126,130)
Insurance and other cost		(5,442,689)	(5,035,582)
Salaries and employee related expenses		(5,611,677)	(5,509,103)
Provision for expected credit losses		(7,083,160)	(3,955,815)
Financial charges		(4,466,228)	(3,016,446)
Depreciation and amortization		(1,105,789)	(1,073,487)
Commissions and sales promotion		(439,682)	(623,541)
Other general and administrative expenses		(2,636,981)	(1,312,390)
Total expenses		(26,786,206)	(24,652,494)
Other income			
Other income, net		5,114,915	6,438,617
Financial income		-	108,426
Profit before Zakat		15,056,100	7,326,434
Zakat (charge)/ reversal	9	(579,425)	6,622,296
Profit for the period		14,476,675	13,948,730
Other comprehensive income for the period		-	-
Total comprehensive income for the period		14,476,675	13,948,730
Earnings per share – basic and diluted		0.48	0.04

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
FOR THE THREE PERIOD ENDED 31 MARCH 2022
(Expressed in Saudi Riyals)

	Share capital	Statutory reserve	Retained earnings/ Accumulated losses	Total
Balance as at 1 January 2021	400,000,000	6,293,980	(126,070,005)	280,223,975
Profit for the period	-	-	13,948,730	13,948,730
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	13,948,730	13,948,730
Balance as at 31 March 2021	400,000,000	6,293,980	(112,121,275)	294,172,705
Balance as at 1 January 2022	300,000,000	11,705,676	22,554,212	334,259,888
Profit for the period	-	-	14,476,675	14,476,675
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	14,476,675	14,476,675
Balance as at 31 March 2022	300,000,000	11,705,676	37,030,887	348,736,563

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 THREE PERIOD ENDED 31 MARCH 2022
(Expressed in Saudi Riyals)

	Note	2022 (Unaudited)	2021 (Unaudited)
Cash flows from operating activities			
Profit before Zakat		15,056,100	7,326,434
<i>Adjustments for:</i>			
Gain on modification of loan		(1,479,768)	(449,634)
Loss on modification of lease receivable		-	4,126,130
Allowance for expected credit losses		7,083,160	3,955,815
Depreciation and amortization		1,105,789	1,073,487
Finance cost		4,466,228	3,016,446
Gain on investment, net		(38,643)	(78,370)
Employees' end of service benefits		526,080	472,347
		26,718,946	19,442,655
<i>Changes in:</i>			
Net investment in finance lease		(77,160,233)	(74,809,633)
Prepayments and other receivables		(10,932,322)	3,783,572
Due to related parties		12,577,406	13,461,555
Trade payables		(21,654,576)	29,582,987
Accrued expenses and other liabilities		9,465,346	114,180
		(60,985,433)	(8,424,684)
Finance cost paid		(1,636,531)	(1,067,395)
Finance income received on short term deposit		-	108,426
Employee termination benefits paid		(472,283)	(337,283)
Zakat paid		-	(764,298)
Net cash used in operating activities		(63,094,247)	(10,485,234)
Cash flows from investing activities			
Acquisition of property and equipment		(239,417)	(391,945)
Acquisition of intangible assets		(2,306,974)	(18,200)
Acquisition of Investments		(10,000,000)	(40,000,000)
Proceeds from disposal of assets		267,251	-
Redemption of investment		20,000,000	-
Net cash generated from investing activities		7,720,860	(40,410,145)
Cash flows from financing activities			
Proceeds from borrowings		99,729,593	-
Repayments of borrowings		(72,332,673)	(14,006,493)
Finance lease liabilities repaid		(255,000)	(499,000)
Cash generated from / (used in) financing activities		27,141,920	(14,505,493)
Net increase in cash and cash equivalents		(28,231,467)	(65,400,872)
Cash and cash equivalents at beginning of the period		39,260,553	75,311,368
Cash and cash equivalent at end of the period	5	11,029,086	9,910,496

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 THREE PERIOD ENDED 31 MARCH 2022
(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 31 March 2022 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 31 March 2022 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 2021.

2.5 Standards, new pronouncements and interpretations:

a) New and revised standards with no material effect on the condensed financial statements.

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

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

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

2.5 Standards, new pronouncements and interpretations: (Continued)

b) New and revised standards issued but not yet effective.

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's management decided not to choose the early adoption of the following new and revised standards and interpretations issued which will become effective for the period commencing after 1 January 2023.

- IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 1 January 2023.
- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2023.
- Amendments to IFRS 17, effective for annual periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective for annual periods beginning on or after 1 January 2023.
- Definition of Accounting Estimate (Amendments to IAS 8), effective for annual periods beginning on or after 1 January 2023.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes), effective for annual periods beginning on or after 1 January 2023.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) with effective annual period yet to be determined.

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 2021.

AL TAYSEER ARABIAN COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE PERIOD ENDED 31 MARCH 2022
(Expressed in Saudi Riyals)

3. NET INVESTMENT IN LEASES

Net Investment in finance lease	31 March 2021 (Unaudited)	31 December 2021 (Audited)
Gross investment in finance lease	1,028,306,989	1,002,715,389
Less: Unearned income	(193,648,620)	(191,070,950)
Net investment in finance leases	834,658,369	811,644,439
Provision for expected credit loss	(60,689,053)	(67,360,051)
	773,969,316	744,284,388
Non-current portion	(449,665,172)	(375,460,885)
Current portion	324,304,144	368,823,503

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

A. Net investment in murabha finance

	31 March 2021 (Unaudited)	31 December 2021 (Audited)
Gross investment in murabha finance	374,009,395	310,255,619
Less: Unearned income	(70,195,615)	(53,917,144)
Net investment in murabha finance	303,813,780	256,338,475
Provision for expected credit loss	(28,808,838)	(21,725,678)
	275,004,942	234,612,797
Non-current portion	(214,991,623)	(148,272,323)
Current portion	60,013,319	86,340,474

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

	For the three-month period ended 31 March 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Balance at the beginning of the period / year	89,085,729	76,316,186
Allowance for the period / year	7,083,160	13,000,681
Written off during the period / year	(6,670,998)	(231,138)
	89,497,891	89,085,729

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
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FOR THE THREE PERIOD ENDED 31 MARCH 2022
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4. PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Deferred loss on kafalah contracts	12,538,053	7,224,547
Advance to supplier	10,149,828	147,500
Non-lease receivables from customers	5,123,145	6,359,119
Insurance claim receivable	3,053,336	3,974,684
Prepaid insurance	655,216	4,268,583
Due from related parties	177,360	175,765
Other receivables	3,820,510	2,434,928
	35,517,448	24,585,126
Provision for impairment loss	(672,791)	(672,791)
	34,844,657	23,912,335

5. CASH AND CASH EQUIVALENTS

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Cash in hand	6,187	1,187
Bank balances	11,022,899	39,259,366
	11,029,086	39,260,553

6. LONG TERM BORROWINGS

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Commercial bank loan	195,869,801	188,454,518
Government loan	239,015,234	219,015,244
	434,885,035	407,469,762
Less: current maturity	(214,544,278)	(225,056,368)
	220,340,757	182,413,394

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. As at 31 March 2022, the Company was in compliance with loan covenants. Further, the Company has assigned lease receivables to the bank amounting to SR 78.7 million representing 125% of the outstanding loan balance as at 31 March 2022 (31 December 2021: SR 109.9 million). During the period ended 31 March 2022 the Company has repaid an amount of SR 18.12 million.

AL TAYSEER ARABIAN COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE PERIOD ENDED 31 MARCH 2022
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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 period the Company has 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. The settlement date for above facility is 12 Jul 2022. The Company has also settled the previously availed loan during the period.

During the 2021 the Company has entered into murabha Financing Agreement with a local bank amounting to SAR 100 million secured against lease receivables. The loan is repayable in 15 quarterly installments. The loan is denominated in Saudi Riyals and bears mutually agreed profit rates. The loan is secured by a corporate guarantee from Al Jomiah Automotive Company (AAC) in addition to joint and several guarantees signed by shareholders of the Holding Company. The aggregate maturity of the outstanding loan is spread through October 2025.

As at 31 March 2022, the Company has assigned lease receivables to the bank amounting to SR 125 million representing 125% of the outstanding loan balance as at 31 March 2022 (31 December 2021: 125 million).

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 2020 and 2021, the Company has entered into other financing agreement with Social Development Bank ("SDB") amounting to SR 45 million and SR 30 million under the same terms and conditions.

During the current period, the Company has entered into other financing agreement with Social Development Bank ("SDB") amounting to SR 40 million under the same terms and conditions.

During the current period the Company has repaid an amount of SR 11.86 million to SDB and an amount of SR 0.62 million is recorded as finance cost.

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 83.62 million from SAMA during the year ended 31 December 2020 in multiple trenches. The Loan is repayable in 36 equal instalments, the aggregate maturity of the outstanding loan is spread through 2023. Out of the interest free loan, the Company has refunded SR 6.9 million to SAMA during 2020.

During the year ended 31 December 2021, the Company has received additional interest free loan of SR 37.7 million from SAMA in multiple trenches. The Loan is repayable in 15 equal instalments, the aggregate maturity of the outstanding loan is spread through 2023.

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

During the current period, the Company has received an additional interest free loan of 10.44 million from SAMA under deferred payment program. The loan is repayable in a one-time payment in July 2023.

During the three-month period ended 31 March 2022, the Company has repaid an amount of SR 14.85 million and recorded finance cost on unwinding amounted to SR 0.41 million.

During the year ended 31 December 2021 the Company has participated in the loan guarantee program (Kafalah) and received an interest free loan of SR 90.3 million from SAMA in multiple trenches as of 31 December 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.

The Loan is repayable in 30 equal instalments, the aggregate maturity of the outstanding loan is spread through 2024. The Company has repaid an amount of SR 2.6 and recorded finance cost on unwinding amounted to SR 0.46 million.

During the current period, the Company has participated in the loan guarantee program (Kafalah) and received an interest free loan of SR 24.6 million from SAMA and accounted related receivables as per the government grant accounting requirements. The loan is obtained under the same terms and conditions.

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.

AL TAYSEER ARABIAN COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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7. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Transactions with related parties:

	Relationship	For the three month period ended 30 March 2022 (Unaudited)	For the three month period ended 31 March 2021 (Unaudited)
Al Jomaih Automotive Company (AAC)	Shareholder		
Purchase of vehicles for lease		58,167,456	30,778,168
Shared service cost		563,208	873,431
Finance cost charged		962,989	651,836
Al Jomaih Holding Company	Other related party		
Expense recharge		3,291,343	101,370
Al Jomaih Rent-A-Car	Other related party		
Revenue		581,707	773,488

Key management personnel compensation comprised of the following transactions:

	For the three month period ended 31 March 2022 (Unaudited)	For the three month period ended 31 March 2021 (Unaudited)
<u>Transactions:</u>		
Compensation of key management executives	1,168,506	1,533,756

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

Due to related parties:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Al Jomaih Automotive Company (AAC)	171,519,366	158,070,921
Al Jomaih Holding Company (AJHC)	2,365,677	3,236,714
AL Jomaih Automotive ACDelco	3,323,191	3,323,193
	177,208,234	164,630,828

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.

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7. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Due from related parties:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Al Jomaih Rent-a-Car Company (AJRC)	23,971,353	30,983,771
Al Jomaih Equipment Company Limited	174,310	172,715
Al Jomaih Tyres Company (AJTC)	3,050	3,050
	24,148,713	31,159,536

Balance due from AJRC as at 31 March 2022 amounting to SR 12.6 million and SR 11.3 million has been classified under "net investment in finance leases" and "net investment in murabha finance", respectively (December 31 2021: SR 18.2 million and SR 12.9 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 31 March 2022 and 31 December 2021 is as follows:

	Percentage of ownership	Number of shares	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

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 three-month period ended 31 March 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Opening balance	14,166,601	19,378,448
<i>Zakat charge for the period / year:</i>		
Current period / year	579,425	6,400,444
Adjustment related to prior period / year	-	(10,000,000)
Payment during the period / year	-	(1,612,291)
	14,746,026	14,166,601

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

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9. ZAKAT (Continued)

a) Zakat assessment status

The Company has filed the Zakat return for the year ended 31 December 2018 till 2021 however, no assessment is raised by ZATCA.

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 31 March 2022 (31 December 2021: 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 2020. 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

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

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.

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 0.41 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 Company was required to defer payments upto 31 March 2022 as per SAMA guidance received through various circulars.

The impact due to change in modification for eligible lease contracts had an additional expense of SR 12.03 million recognised in the statement of profit and loss in the year 2020.

During the year ended 31 December 2021 the Company was required to defer payments upto 31 March 2022. The impact due to change in modification for eligible lease contracts had an additional expense of SR 5.4 million recognised in the statement of profit and loss in the year 2021.

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

During the current period, the Company has received an additional interest free loan of 10.44 million from SAMA under deferred payment program. The loan is repayable in a one-time payment in July 2023.

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 72.9 million from SAMA during the year ended 31 December 2020. Further there was an additional interest free loan of SR 37.6 million received from SAMA during the year ended 31 December 2021. Further, during the current period, the Company has received an additional interest free loan of 10.44 million from SAMA under deferred payment program and has also participated in the loan guarantee program (Kafalah) and received an interest free loan of SR 24.6 million from SAMA. The Company 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 SR 0.6 million and the same has been recognised in the statement of profit or loss for the year ended 31 December 2020 and 31 December 2021 respectively and for the current period, this resulted in an income of SR 1.47 million and the same has been recognized in the statement of profit or loss. 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 year ended 31 December 2021 the Company has participated in the loan guarantee program (Kafalah) and received an interest free loan of SR 90.4 million from SAMA and as of 31 December 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.

During the current period, the Company has participated in the loan guarantee program (Kafalah) and received an interest free loan of SR 24.6 million from SAMA and accounted related receivables as per the government grant accounting requirements. The loan is obtained under the same terms and conditions.

As at 31 December 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 27 Ramadan 1443H corresponding to 28 April 2022G.