

**AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)**

**CONDENSED INTERIM FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND SIX MONTHS PERIOD
ENDED
30 JUNE 2020**

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2020

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

- the condensed statement of financial position as at 30 June 2020;
- the condensed statements of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2020;
- the condensed statement of changes in shareholders' equity for the six-month period ended 30 June 2020;
- the condensed statement of cash flows for the six-month period ended 30 June 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 June 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 six month period ended 30 June 2019 were audited / reviewed by another auditor who expressed an unmodified audit opinion / review conclusion on those statements on 10 March 2020 and 1 August 2019 respectively.

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

Abdulaziz Abdullah Alnaim

License No: 394

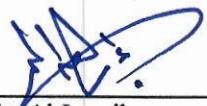
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AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020
(Expressed in Saudi Riyals)

Assets	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Non-current assets			
Property and equipment		5,967,813	6,597,237
Right-of-use assets		6,264,190	6,816,575
Intangible assets		5,044,973	5,420,465
Long term deposit		18,750,449	18,750,449
Net investment in finance leases	3	340,597,330	291,614,860
Net investment in murabaha finance	3	22,004,173	22,836,643
Investment		892,850	892,850
Total non-current assets		399,521,778	352,929,079
Current assets			
Prepayments and other receivables	4	29,277,582	19,629,545
Current portion of net investment in finance leases	3	45,182,749	20,313,219
Current portion of net investment in murabaha finance	3	251,738,587	275,290,825
Cash and cash equivalents	5	22,678,143	20,848,138
Total current assets		348,877,061	336,081,727
Total assets		748,398,839	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		(103,804,313)	(103,263,327)
Total shareholders' equity		302,489,667	303,030,653
Liabilities			
Non-current liabilities			
Long term borrowings	6	50,904,405	21,406,781
Lease liabilities		5,176,839	5,453,110
Employees' end of service benefits		6,583,207	6,050,563
Total non-current liabilities		62,664,451	32,910,454
Current liabilities			
Current maturity of long-term borrowings	6	57,121,767	53,466,635
Accounts payables		32,171,942	34,668,359
Accrued expenses and other liabilities		19,886,951	16,232,485
Due to related parties	7	248,888,840	222,986,964
Current portion of lease liabilities		1,009,455	1,019,311
Provision for Zakat	9	24,165,766	24,695,945
Total current liabilities		383,244,721	353,069,699
Total liabilities		445,909,172	385,980,153
Total shareholders' equity and liabilities		748,398,839	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-Yaesh
 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 AND SIX MONTHS PERIOD ENDED 30 JUNE 2020
(Expressed in Saudi Riyals)

	Note	For the three months period ended 30 June		For the six months period ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
INCOME					
Finance lease income, net		21,191,486	19,057,686	37,473,097	37,666,217
Expenses					
Insurance and other cost		(5,302,081)	(6,062,425)	(11,437,140)	(13,411,658)
Salaries and employee related expenses		(5,976,232)	(5,257,798)	(11,835,302)	(9,859,935)
Provision /(reversal) for lease Losses		(3,874,148)	1,253,641	(6,883,525)	(721,359)
Financial charges		(646,447)	(3,255,513)	(964,631)	(6,646,187)
Depreciation and amortization		(872,189)	(247,978)	(1,706,912)	(825,163)
Commissions and sales Promotion		(403,111)	(527,428)	(1,021,030)	(793,510)
Other general and administrative expenses		(2,307,267)	(3,706,474)	(4,094,333)	(5,346,057)
Total expenses		(19,381,475)	(17,803,975)	(37,942,873)	(37,603,869)
Other income					
Other income, net		283,208	1,386,305	903,398	1,957,451
Financial income		6,458	-	23,795	-
Profit before Zakat		2,099,677	2,640,016	457,417	2,019,799
Zakat expense	9	-	(196,508)	(998,403)	(205,403)
(Loss) / profit for the period		2,099,677	2,443,508	(540,986)	1,814,396
Other comprehensive income for the period		-	-	-	-
Total comprehensive (loss)/ income for the period		2,099,677	2,443,508	(540,986)	1,814,396
(Loss) / earnings per share – basic and diluted		0.05	0.06	(0.01)	0.05

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 SIX MONTHS PERIOD ENDED 30 JUNE 2020
(Expressed in Saudi Riyals)

	Share capital	Statutory reserve	Accumulated losses	Total
Balance as at 1 January 2019	400,000,000	6,293,980	(126,519,471)	279,774,509
Profit for the period	-	-	1,814,396	1,814,396
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	1,814,396	1,814,396
Balance as at 30 June 2019	400,000,000	6,293,980	(124,705,075)	281,588,905
Balance as at 1 January 2020	400,000,000	6,293,980	(103,263,327)	303,030,653
Loss for the period	-	-	(540,986)	(540,986)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(540,986)	(540,986)
Balance as at 30 June 2020	400,000,000	6,293,980	(103,804,313)	302,489,667

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 SIX MONTHS PERIOD ENDED 30 JUNE 2020
(Expressed in Saudi Riyals)

	Note	2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
Profit before Zakat		457,417	2,019,799
<i>Adjustments for:</i>			
Gain on modification of loan		(6,980,901)	-
Loss on modification of lease		5,962,867	-
Allowance for expected credit losses		6,883,525	721,359
Depreciation and amortization		1,706,912	1,303,363
Finance cost		5,756,036	6,646,187
Employees' end of service benefits		1,355,625	573,070
		15,141,481	11,263,778
<i>Changes in:</i>			
Net investment in finance lease		(62,313,684)	(18,066,189)
Prepayments and other receivables		(9,648,037)	(2,534,489)
Due to related parties		25,901,876	40,360,517
Trade payables		(2,496,417)	(166,180)
Accrued expenses and other liabilities		3,654,466	631,810
		(29,760,315)	31,489,247
Finance cost paid		(4,337,266)	(6,507,633)
Employee termination benefits paid		(822,981)	(1,623,493)
Zakat paid		(1,528,582)	-
Net cash (used in) / generated from operating activities		(36,449,144)	23,358,121
Cash flows from investing activities			
Acquisition of property and equipment		(110,234)	(898,297)
Acquisition of intangible assets		(39,375)	-
Net cash used in investing activities		(149,609)	(898,297)
Cash flows from financing activities			
Proceeds from long-term borrowings		51,700,000	-
Repayments of long-term borrowings		(12,855,742)	(23,437,500)
Finance lease liabilities repaid		(415,500)	(339,000)
Cash generated from / (used in) financing activities		38,428,758	(23,776,500)
Net increase / (decrease) in cash and cash equivalents		1,830,005	(1,316,676)
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	22,678,143	5,684,851

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 SIX MONTHS PERIOD ENDED 30 JUNE 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% completed 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 branches 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 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 June 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as 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 of the information required for a complete set of IFRS 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 investment which is 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 Material (Amendments to IAS 1 and IAS 8).
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020
(Expressed in Saudi Riyals)

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

2.5 Standards, new pronouncements and interpretations: (Continued)

b) Standards, interpretations and amendments to published standards that will be effective for the annual periods commencing 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 in the preparation of the Company's annual financial statements for the year ended 31 December 2019 other than as described 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 SIX MONTHS PERIOD ENDED 30 JUNE 2020
(Expressed in Saudi Riyals)

3. NET INVESTMENT IN LEASES

A. Net Investment in finance lease

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Gross investment in finance lease	914,309,881	879,350,624
Less: Unearned finance and insurance income	(179,006,599)	(180,348,418)
Net investment in finance leases	735,303,282	699,002,206
Modification loss	(4,545,715)	-
Provision for lease losses	(138,421,650)	(132,096,521)
	592,335,917	566,905,685
Non-current portion	(340,597,330)	(291,614,860)
Current portion	251,738,587	275,290,825

The movement in the provision for lease losses was as follows:

	For the six month ended 30 June 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	6,325,129	5,154,554
	138,421,650	132,096,521

B. Net investment in murabaha finance

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Gross investment in murabaha finance	77,004,559	48,668,475
Less: Unearned finance	(7,344,677)	(5,233,762)
Net investment in murabaha finance	69,659,882	43,434,713
Modification loss	(1,417,152)	-
Provision for lease losses	(1,055,808)	(284,851)
	67,186,922	43,149,862
Non-current portion	(22,004,173)	(22,836,643)
Current portion	45,182,749	20,313,219

The movement in the provision for lease losses was as follows:

	For the six month ended 30 June 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

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(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020
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4. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Insurance claim receivable	6,264,132	14,957,540
Due from related parties	436,948	370,078
Repossessed assets held for sale	372,275	372,275
Prepaid insurance	13,797,474	469,902
Other receivables	10,485,403	5,538,400
	31,356,232	21,708,195
Allowance for ECL	(2,078,650)	(2,078,650)
	29,277,582	19,629,545

As at 30 June 2020, the Company has net outstanding balance insurance claims receivables amounting to SR 0.9 million (31 December 2019: SR 9.7 million) from an insurance service provider with whom the Company had previously suspended its business activities in prior years. During the six month period ended 30 June 2020, the Company has contracted the services of the same insurance provider for assets leased to its customers and settled the claim.

5. CASH AND CASH EQUIVALENTS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cash in hand	249,705	271,770
Bank balances	22,428,438	13,376,368
Short term deposits	-	7,200,000
	22,678,143	20,848,138

6. LONG TERM BORROWINGS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Commercial bank loan	44,300,627	56,505,943
Government bank loan	63,725,545	18,367,473
	108,026,172	74,873,416
Less: current maturity	(57,121,767)	(53,466,635)
	50,904,405	21,406,781

Commercial 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 30 June 2020, the Company has assigned lease receivables to the bank amounting to SR 55.98 million representing 125% of the outstanding loan balance as at 30 June 2020 (31 December 2019: Saudi Riyals 70.6 million).

AL TAYSEER ARABIAN COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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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 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 June 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 June 2020 amounting to Saudi Riyals 44.3 million became payable on demand and, accordingly, have been classified under current liabilities in the 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 30 September 2020.

Government bank 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 20.0 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 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 June 2020, the Company has entered into another financing agreement with Social Development Bank ("SDB") amounting to Saudi Riyals 20.0 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 June 2020. The Loan is repayable in 36 equal instalments, the aggregate maturity of the outstanding loan is spread through 2023.

AL TAYSEER ARABIAN COMPANY
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7. RELATED PARTY TRANSACTIONS AND BALANCES

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

The Company is required to pay remuneration to the members of Board of Directors, under Bye-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. Amount due from/to related parties are disclosed in the statement of financial position.

Transactions with related parties mainly include collections on behalf of the Company, certain expenses and services which are undertaken at mutually agreed terms and conditions. These transactions are approved by management of the following entities and Board of Directors of the Company.

Transactions with related parties:

	Relationship	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
Al Jomaih Automotive Company	Shareholder		
Purchase of vehicles for lease		61,606,726	80,763,894
Shared service cost		1,104,993	841,704
Finance cost charged		2,960,022	2,329,480
Al Jomaih Holding Company	Other related party		
Finance cost charged		422,184	1,638,698

Key management personnel compensation comprised of the following transactions:

	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)
<u>Transactions:</u>		
Compensation of key management executives	2,325,150	2,827,948

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 June 2020 (Unaudited)	31 December 2019 (Audited)
Al Jomaih Automotive Company (AAC)	246,968,177	199,124,223
Al Jomaih Holding Company (AJHC)	1,920,663	23,677,905
Al Jomaih Bottling Plants Limited (AJBP)	-	184,836
	248,888,840	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. 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 10.19 million has been offset from the above balance as at 30 June 2020 (December 31, 2019: Saudi Riyals 8.5 million).

Due from related parties:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Al Jomaih Rent-a-Car Company (AJRC)	43,558,070	40,532,540
Al Jomaih Equipment Company Limited	288,177	266,664
Al Jomaih Tyers Company	115,124	103,414
Al Jomaih Bottling Plants Limited	33,647	-
	43,995,018	40,902,618

Balance due from AJRC as at 30 June 2020 amounting to SR 33.74 million and SR 9.8 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 June 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

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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 six months ended 30 June 2020 (Unaudited)	For the year ended 31 December 2019 (Audited)
Opening balance	<u>24,695,945</u>	<u>51,160,640</u>
<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	<u>(1,528,582)</u>	-
	<u>24,165,766</u>	<u>24,695,945</u>

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

a) Zakat assessment status

Until 2017, the Company's zakat declaration was filed at the consolidated level of the Group. For, periods starting from January 1, 2018 the Company intends to file a separate zakat return. The Company has filed the Zakat return for the year ended 31 December 2018, however, no assessment is raised by GAZT. The Company is currently in the process of filing its Zakat return for the year 2019.

During the six-month period ended 30 June 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 additional provision for Zakat of SR 30.4 million maintained for such years 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.

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11. CONTINGENCIES AND COMMITMENTS

The Company has no commitments and contingent liabilities as at 30 June 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 3.8 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).

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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 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 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 5.9 million recognised in the statement of profit and loss.

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 a profit free deposit of SR 31.7 million from SAMA as at 30 June 2020. 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 2.59 million and the same has been recognised in the interim condensed statement of profit or loss for the period ended 30 June 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 June 2020 accordingly.

As at 30 June 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

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 profit or loss and other 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 condensed interim statement of financial position as at 31 December 2019 and the condensed interim statement of shareholders equity and cash flows for the six-month period ended 30 June 2020.

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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	(9,507,440)	9,507,440	-
General and administrative	(7,317,225)	7,317,225	-
Salaries and other benefits	-	(9,859,935)	(9,859,935)
Commission and sales promotion	-	(793,510)	(793,510)
Depreciation and amortization	-	(825,163)	(825,163)
Other expenses	-	(5,346,057)	(5,346,057)
	<u>(16,824,665)</u>	<u>-</u>	<u>(16,824,665)</u>

14. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved on 7 Dhul-Hijjah1441H corresponding to 28 July 2020G.