

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



Crowe

Al Azem & Al Sudairy & Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

INDEX	PAGE
Independent auditor's report	1 - 6
Consolidated statement of financial position	7
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of shareholders' equity	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11 - 39

INDEPENDENT AUDITOR'S REPORT

**TO: THE SHAREHOLDERS
SAUDI AUTOMOTIVE SERVICES COMPANY. (SASCO)
(A Saudi Joint Stock Company)**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Saudi Automotive Services Company (SASCO) (the "Company") and its Subsidiaries (Collectively the "GROUP") , which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The consolidated financial statements of the Group as of December 31, 2019 were reviewed by another auditor who expressed an unqualified opinion on these consolidated financial statements on March 31, 2020.



INDEPENDENT AUDITOR'S REPORT (continued)
SAUDI AUTOMOTIVE SERVICES COMPANY (SASCO)
(A Saudi Joint Stock Company)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Key audit matter	How our audit addressed the key audit matter
Revenue was considered one of the main matters for review, given that revenue is the main component of the company's business, and there are potential risks of fraud and error related to the recognition of revenue in accordance with the international standards of auditing approved in the Kingdom of Saudi Arabia, and that the group provides different types of products, and a huge number of transactions are carried out On a daily basis, revenue is recognized through automated systems.	We have designed auditing procedures to deal with this key matter through a preliminary risk assessment procedure that includes identifying risks and related assurances by understanding the nature of the company's activity and its environment and documenting and evaluating the revenue accounting system covering activities, operations and internal revenue control related to performance of monitoring and performance checks, A major control procedure was tested to ensure the design, implementation and enforcement of internal control procedures. Analytical procedures were also applied. Our IT specialist also participated in the understanding and evaluation of the revenue-related IT system and testing the accuracy of data and reports issued by IT systems. Then, our audit controls were designed according to the results of the risk assessment procedures. We have verified on a test basis, of the invoices issued by the company, and we have implemented detailed analytical procedures to understand that the reasons for the variance in revenue compared to the last year had a rationale for the business, that the revenue recognition criteria that the company adopts for all major revenue sources are appropriate and in line with accounting policies The company disclosed in the consolidated financial statements.
Refer to note (3) for the accounting policy and note (23) for related disclosures.	



INDEPENDENT AUDITOR'S REPORT (continued)
SAUDI AUTOMOTIVE SERVICES COMPANY (SASCO)
(A Saudi Joint Stock Company)
Key Audit Matters (continued)

Expected Credit Loss	
Key audit matter	How our audit addressed the key audit matter
<p>As at 31 December 2020 the carrying value of trade receivables amounted to Saudi Riyals 125.7 Million (31 December 2020: Saudi Riyals 111.5 million) and the provision for expected credit losses as on December 31, 2020 amounted to SR 20,9 million.</p> <p>The ability to collect trade receivables is a key component of the Company's management of working capital, which is managed on an ongoing basis.</p> <p>The management determines and records expected credit losses based on what is required by IFRS 9. Significant judgments, estimates and assumptions have been made by management in calculating the impact of the expected credit losses.</p> <p>Due to the determination of impairment of account receivable using expected credit loss models involves significant judgments and estimates that could have a material impact on the consolidated financial statements of the Company, including the use of the expected credit loss model was considered as a key audit matter.</p>	<p>We have evaluated procedures and controls for trade receivables and customer credit risk checks.</p> <p>We have also evaluated the appropriateness of judgments, estimates and underlying assumptions made by management.</p> <p>We have verified the general IT controls around the accounting system and found them to be effective. We have performed one test to check the aging accuracy of trade receivables from the system.</p> <p>We also evaluated the methodological methods implemented by the company in the light of the requirements of criterion (9), and specifically evaluated the company's method in assessing the probability of default, and the extent to which information related to future expectations is included in the calculation of expected credit losses and changes in the standard of loss that may lead to failure.</p> <p>We also evaluated the disclosures in the consolidated financial statements required under Standard 9 and Standard 7 "Financial Instruments: Disclosures".</p>
Refer to note (3) for the accounting policy and note (12) for related disclosures.	

INDEPENDENT AUDITOR'S REPORT *(continued)*
SAUDI AUTOMOTIVE SERVICES COMPANY (SASCO)
(A Saudi Joint Stock Company)
Key Audit Matters *(continued)*

Zakat	
Key audit matter	How our audit addressed the key audit matter
<p>The Group files its zakat return with General Authority of Zakat and Tax ("GAZT") on an annual basis. The GAZT has issued Zakat assessment orders for the years from 2014 to 2018, which resulted in an additional zakat exposure of the Group amounting to SR 12 million approximately. The significant additional zakat exposure resulted mainly due to disallowance of certain items. The interpretation of the GAZT is being contested by the Group and the appeal proceedings are underway at various levels of available appellate forums available to the Group, hence ultimate outcome of the matter cannot be determined at this stage.</p> <p>Assessments for the years 2019 are yet to be raised. However, in line with the assessments raised by the GAZT for the years 2014 to 2018, if certain items are disallowed, this would result in an additional zakat exposure.</p> <p>Zakat provisions requires the management to make judgements and estimates in relation to zakat lawsuits and zakat provisions.</p> <p>This matter is considered one of the key areas in our audit on the Group.</p>	<p>Our audit procedures included assessment of the Group's zakat positions, its correspondence with General Authority for Zakat and Tax and with Group's zakat consultant and to analyze and challenge the assumptions used in determining zakat provisions based on our knowledge and experience in application of legislation by the relevant authorities and courts. Our assessment included consideration of the adequacy of the provisions take by the Group to meet the liabilities that may rise from zakat lawsuits.</p> <p>We also assessed the appropriateness of the disclosures included in the Group financial statements.</p> <p>We further obtained the related appeal documents to confirm the fact that the matters have been contested at various appellate forums and to assess the status of the outcome of those appeal.</p>
Refer to note (3) for the accounting policy and note (21) for related disclosures.	

INDEPENDENT AUDITOR'S REPORT (continued)
SAUDI AUTOMOTIVE SERVICES COMPANY (SASCO)
(A Saudi Joint Stock Company)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report and conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Regulations for Companies and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (continued)
ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY
(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

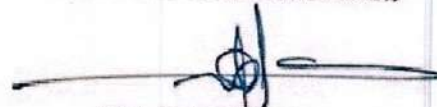
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



12 Shaaban 1442H (25 March 2021)
Riyadh, Kingdom of Saudi Arabia

AlAzem, AlSudairy, AlShaikh & Partners
Certified Public Accountants





Abdullah M. Al Azem
License No, 335

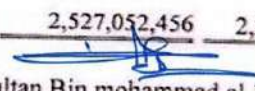
SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

Consolidated statement of financial position
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	31 December 2020 SR	31 December 2019 (Adjusted) SR	1 January 2019 (Adjusted) SR
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment, net	6	1,186,751,411	1,088,666,787	1,087,947,299
Good will	7	4,308,993	4,308,993	4,308,993
Intangible assets, net	8	6,010,304	5,390,502	6,723,091
Projects under progress	9	65,744,738	60,722,302	40,011,413
Investments at fair value through other comprehensive income	10	186,661,451	184,809,517	103,563,396
Right of use assets, net	11	1,188,763,013	788,817,319	679,233,991
TOTAL NON CURRENT ASSETS		2,638,239,910	2,132,715,420	1,921,788,183
CURRENT ASSETS				
Inventory, net	14	42,171,818	57,458,392	51,193,500
Account receivable, Prepaid expense and other assets	12	201,641,811	271,591,596	197,519,611
Investments at fair value through profit or loss	15	275,766	268,592	5,973,368
Cash and cash equivalents	16	104,284,916	65,018,456	74,235,012
TOTAL CURRENT ASSETS		348,374,311	394,337,036	328,921,491
TOTAL ASSETS		2,986,614,221	2,527,052,456	2,250,709,674
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	1	600,000,000	600,000,000	600,000,000
Statutory reserve	22	60,474,991	56,462,126	44,397,367
Retained earnings		15,575,005	66,179,336	(11,173,971)
Accumulated changes for investments at fair value through other comprehensive income	10	128,699,734	126,847,800	75,547,896
TOTAL SHAREHOLDERS' EQUITY		804,749,730	849,489,262	708,771,292
LIABILITIES				
NON CURRENT LIABILITIES				
Murabahat Financing & long term loans	17	532,475,838	387,901,634	377,385,669
Lease Liabilities – non current portion	11	1,105,697,343	758,651,642	663,269,279
Employees' defined benefits obligations	20	17,854,415	14,761,002	12,613,431
TOTAL NON CURRENT LIABILITIES		1,656,027,596	1,161,314,278	1,053,268,379
CURRENT LIABILITIES				
Murabahat Financing & short term loans	17	99,406,444	105,000,000	115,000,000
Current portion of murabahat & long term loans	17	34,995,499	88,267,285	100,688,892
Dividends payable	19	45,613,389	40,881,645	39,715,364
Accounts payables, accrued expenses and other liabilities	18	239,526,846	218,243,132	200,297,924
Lease Liabilities – current portion	11	100,708,904	59,284,434	29,790,129
Zakat provision	21	5,585,813	4,572,420	3,177,694
TOTAL CURRENT LIABILITIES		525,836,895	516,248,916	488,670,003
TOTAL LIABILITIES		2,181,864,491	1,677,563,194	1,541,938,382
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,986,614,221	2,527,052,456	2,250,709,674


Islam khairi
Chief Financial Officer


Riyadh Bin Saleh Al malik
Chief executive Officer



Sultan Bin mohammad al-hudaithi
Vice chairman and managing directors


The accompany notes from (1) to (34) are integrated part of these consolidated financial statements.


SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

Consolidated statement of profit or loss and other comprehensive income
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	2020 SR	2019 (Adjusted) SR
Revenue	23	2,136,241,724	2,482,842,898
Cost of revenue		(1,985,986,469)	(2,324,247,169)
GROSS PROFIT		150,255,255	158,595,729
Selling and marketing expenses		(2,328,178)	(3,806,855)
General and administration expenses	24	(43,591,615)	(50,803,569)
NET PROFIT FOR THE YEAR FROM MAIN OPERATIONS		104,335,462	103,985,305
Financing charges		(46,203,837)	(36,403,742)
Provision of expected credit losses		(20,947,427)	-
Adverse for provision of prepaid and other assets		1,701,468	-
Dividends from investments at fair value through other comprehensive income		4,116,758	21,712,472
Un-realized gain on Investments at fair value through profit or loss		7,174	4,324
Realized gain on Investments at fair value through profit or loss		-	354,030
Other income, net	25	2,815,589	34,242,406
NET PROFIT FOR THE YEAR BEFORE ESTIMATED ZAKAT		45,825,187	123,894,795
Estimated zakat	21	(5,696,537)	(3,247,206)
NET PROFIT FOR THE YEAR		40,128,650	120,647,589
OTHER COMPREHENSIVE INCOME			
ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS			
Actuarial losses from re-measurement of employees' defined benefits obligations		(2,720,116)	(1,229,523)
Net change in fair value of Investments measured at fair value through other comprehensive income		1,851,934	51,299,904
NET OTHER COMPREHENSIVE (LOSS) \ INCOME FOR THE YEAR		(868,182)	50,070,381
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		39,260,468	170,717,970
Earnings per share from:	27		
Net profit for the year from main operations		1,74	1,73
Net profit for the year		0,67	2,01


 Islam khairi
 Chief Financial Officer


 Riyadh Bin Saleh Al malik
 Chief executive Officer


 Sultan Bin mohammad al-hudaithi
 Vice chairman and managing directors

The accompany notes from (1) to (34) are integrated part of these consolidated financial statements.


SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	Share Capital SAR	Statutory Reserve SAR	Retained Earnings SAR	Accumulated changes for investments at fair value through other comprehensive income SAR	Total Shareholders' Equity SAR
As at January 1, 2019	31	600,000,000	44,397,367	(10,380,766)	75,547,896	709,564,497
Effect of correction of previous years		-	-	(793,205)	-	(793,205)
As at January 1, 2019 (Adjusted)	1	600,000,000	44,397,367	(11,173,971)	75,547,896	708,771,292
Dividends declared		-	-	(30,000,000)	-	(30,000,000)
Net profit for the year (Adjusted)		-	-	120,647,589	-	120,647,589
Other comprehensive income		-	-	(1,229,523)	-	(1,229,523)
Total comprehensive income		-	-	119,418,066	51,299,904	50,070,381
Transfer to statutory reserve		-	12,064,759	(12,064,759)	51,299,904	170,717,970
As at December 31, 2019 (Adjusted)		600,000,000	56,462,126	66,179,336	126,847,800	849,489,262
Dividends distributed	1	-	-	(60,000,000)	-	(60,000,000)
Net profit for the year		-	-	40,128,650	-	40,128,650
Other comprehensive loss		-	-	(2,720,116)	1,851,934	(868,182)
Total comprehensive income		-	-	37,408,534	1,851,934	39,260,468
Interim dividends declared		-	-	(24,000,000)	-	(24,000,000)
Transfer to statutory reserve		-	4,012,865	(4,012,865)	-	-
As at December 31, 2020		600,000,000	60,474,991	15,575,005	128,699,734	804,749,730


Islam khairi
Chief Financial Officer


Riyadh Bin Saleh Al malik
Chief executive Officer

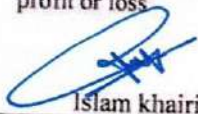

Sultan Bin mohammad al-hudaiti
Vice chairman and managing directors


The accompany notes from (1) to (34) are integrated part of these consolidated financial statements.


SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 SR	2019 (Adjusted) SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before for the year	40,128,650	120,647,589
Adjustment for reconciling net profit for the year to net cash provided by operating activities:		
Depreciation of property, plant and equipment	53,020,954	48,876,157
Depreciation of right of use asset	89,253,842	64,461,923
Amortization of intangible assets	1,312,498	1,364,853
Charged from provision for custom claims	-	1,241,894
Charged from provision for expected credit losses	20,947,427	4,967,730
(Adverse) of provision for impairment in prepaid and other assets	-	(1,695,870)
Adverse from provision for impairment in prepaid expenses and other assets	(1,701,468)	-
Charged from provision for slow moving inventory	-	536,887
Un-realized gain on Investments at fair value through profit or loss	(7,174)	(4,324)
Realized gain on Investments at fair value through profit or loss	-	(354,030)
Financing charges	46,203,837	36,403,742
Charged from employees' defined benefits obligations	3,261,098	2,298,276
Charged from estimated zakat	5,696,537	3,247,206
(Gain) /Loss on sale of property, plant and equipment	(1,178,279)	75,503
	256,937,922	282,067,536
Changes in operating assets and liabilities		
Account Receivable, Prepaid expense and other assets	50,703,826	(77,343,845)
Inventory	15,286,574	(6,801,779)
Accounts payables, accrued expenses and other liabilities	21,323,713	28,673,276
Financing charges paid	(46,203,837)	(36,403,742)
Estimated zakat paid	(4,723,144)	(1,852,480)
Employees' defined benefits obligations paid	(2,887,800)	(980,228)
Net cash provided by operating activities	290,437,254	187,358,738
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from sale of investments at fair value through profit or loss	-	6,063,130
Cash paid for purchase of investments at fair value through profit or loss	-	(29,946,217)
Additions to property, plant and equipment	(149,927,299)	(32,027,378)
Proceed from sale of property, plant and equipment	-	503,762
Additions to capital work in progress	(5,022,436)	(46,841,042)
Additions to intangible assets	(1,932,300)	(32,264)
Net cash used in investing activities	(156,882,035)	(102,280,009)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in murabahat & loans	85,708,862	(11,905,642)
Lease liabilities	(100,729,365)	(53,555,924)
Net change in dividends payable	4,731,744	1,166,281
Dividends paid	(84,000,000)	(30,000,000)
Net cash used in financing activities	(94,288,759)	(94,295,285)
Net changes in cash and cash equivalents	39,266,460	(9,216,556)
Cash and cash equivalents balances, beginning of the year	65,018,456	74,235,012
cash and cash equivalents balances, end of year	104,284,916	65,018,456
Non cash item		
Transferred from capital work in progress to property, plant and equipment	74,503,652	26,130,153
Actuarial losses from re-measurement of defined benefits obligations	2,720,116	1,229,523
Un-realized gain from re-measurement of investments at fair value through profit or loss	1,851,934	51,299,904


Islam khairi
Chief Financial Officer


Riyadh Bin Saleh Al malik
Chief executive Officer


Sultan Bin mohammad al-hudaithi
Vice chairman and managing directors

The accompany notes from (1) to (34) are integrated part of these consolidated financial statements.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

1) ORGANISATION AND ACTIVITIES

A- The Saudi Automotive Services Company (SASCO), a Saudi joint stock company under Ministerial Resolution No. (563) dated 23 Dhu al-Hijjah 1402 H corresponding to October 12, 1982, was established in the city of Riyadh under the Commercial Registration No. 1010054361 and the date of Rajab 28 1404 H corresponding to April 30, 1984.

B- The main activity of the group is to provide services to cars and travellers by establishing central workshops to provide the highest level of maintenance and repair and establishing a network of car service stations, as well as providing restrooms and restaurants, importing and selling foodstuffs, drinks, refreshments and raw materials required for this, importing cars and spare parts of all kinds for the group's business And trading in them after obtaining the necessary licenses, and carrying out all types of contracting for the establishment, management, maintenance and operation of residential and commercial buildings, contracts for maintenance operations of cars and equipment for individuals and companies, and participation with bodies or companies that carry out works similar to their work or merge them with them or establish subsidiary companies owned by them or with Others.

C- The group's capital is 540,000,000 Saudi riyals, with 54,000,000 shares, each share value of 10 Saudi riyals. On May 22, 2019, the Twelfth Extraordinary General Assembly approved the recommendation of the Board of Directors to increase the capital from 540,000,000 Saudi riyals to 600,000,000 Saudi riyals, an increase of 11.11% by granting one free share for every 9 shares owned by the shareholders at the end of the trading day of the twelfth extraordinary general assembly meeting, provided that the value of the increase is paid by transferring an amount of 60,000,000 Saudi riyals from item Retained earnings, thus increasing the number of shares from 54,000,000 shares to 60,000,000 shares with an increase of 6,000,000 shares.

D- The head office of the Group is located at the following address:

Saudi Automotive Services Company (SASCO)

Riyadh - Al-Malaz Al-Ahsa Street, the intersection of Al-Ahsa with Omar bin Abdulaziz
Kingdom of Saudi Arabia

E - The consolidated financial statements as of December 31, 2020 AD include the financial statements of the following subsidiaries:

The name of the subsidiary company	The main activity of the subsidiary	ownership percentage % Direct and indirect
Fleet Transportation Company	Transporting goods and equipment for a fee on land roads under the license of the Ministry of Transport No. 010111046000 and the expiration date is 5/3/1440 AH.	100%
Saudi Automobile Club Company	Participation in local and international clubs for cars and motorcycles, local and international associations and bodies interested in car and motorcycle affairs, issuance of customs transit books (Triptik) and international driving licenses, establishing, managing, maintaining and operating motorsports and motorbike circuits, holding races and events for motorsports and motorcycles, and participating in races and events.	100%
Automobile and Equipment Investment Limited Company	Establishing workshops for the repair of cars, heavy equipment, car service stations and travelers on the main roads between the cities of the Kingdom to provide fuel, oils and maintenance for cars and heavy equipment, establish rest houses, motels and restaurants, provide meals, drinks and refreshments for travelers, wash and lubricate cars and equipment, import and sell equipment and tools, and construct roads and bridges.	100%
The First Palm Company	General contracting of buildings (construction, repair, demolition, restoration), erection, management, maintenance and operation of residential and commercial buildings and road	100%
Sasco Palm Company	Import and sale of food, beverages, refreshments and equipment.	100%
Sasco Oasis Company	Hotels.	100%
Zaiti Petroleum Services Company	Establishment, management and operation of fuel stations.	100%
Sasco Investment franchise company	Manufacturing industries and their branches according to industrial licenses, business and financial services and services Other, Trade and Information Technology.	100%
Sasco property company	Notarization of lease contracts	100%

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

1) ORGANISATION AND ACTIVITIES (CONTINUED)

F- The accompanying consolidated financial statements include the assets, liabilities and results of the main commercial register business and all the following subsidiary registers:

Number	Number of commercial register	Name of branch	City
1	1018000425	Branch of the Saudi Automotive Services Company (SASCO)	Riyadh
2	2050093628	Branch of the Saudi Automotive Services Company (SASCO)	Dammam
3	4030254775	Branch of the Saudi Automotive Services Company (SASCO)	Jeddah
4	1131030559	Branch of Zaiti Petroleum Services Company	Buraidah
5	5850029530	Branch of Zaiti Petroleum Services Company	Abha
6	5850064608	Branch of Zaiti Petroleum Services Company	Abha
7	5850064609	Branch of Zaiti Petroleum Services Company	Abha
8	1128010283	Branch of Zaiti Petroleum Services Company	Onaizah
9	1011012857	Branch of Zaiti Petroleum Services Company	Kharj
10	2055025642	Sasco Palm Branch Company	Jubail
11	2050112261	Sasco Palm Branch Company	Dammam

2) BASIS FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and the other standards and publications approved by the Saudi Organization for Certified Public Accountants.

The Capital Market Authority issued a decision of the Board of Commissioners on Muharram 15, 1438H, corresponding to October 16, 2016, requiring listed companies to apply the cost model when measuring property and equipment assets, investment properties and intangible assets when adopting IFRS for a period of 3 years starting from the date of adopting IFRSs. And, on December 31, 2019, until the financial periods for the year beginning on January 1, 2022, were extended, while continuing to adhere to the disclosure requirements of International Financial Reporting Standards approved in the Kingdom of Saudi Arabia, which require or encourage disclosure of fair value.

The current liabilities of the company exceeded its current assets by an amount of 177,462,584 Saudi riyals. However, the management and members of the board of directors expect the company's ability to obtain sufficient cash flows to meet its continuing obligations and reschedule the payment. These financial statements have been prepared in accordance with the going concern principle.

2- 1 Basis of measurement

The financial statements have been prepared on the historical cost and accrual basis of accounting except for the following.

- Investments at fair value through profit or loss that are measured at fair value.
- Defined employee benefit obligations that are recognized at the present value of future liabilities using the projected unit credit method.

2-2 the functional and presentation currency

The financial statements are shown in Saudi riyals, which represents the company's functional currency.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2) BASIS FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2-3 Use of estimates, assumptions and judgments

Preparing the consolidated financial statements in accordance with the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia requires management to set estimates, assumptions and judgments that affect the application of accounting policies and the declared amounts of assets, liabilities, revenues and expenses. These estimates and associated assumptions and judgments are based on past experience and many other factors that are believed to be reasonable under the current circumstances, and whose results form the basis for making judgments about the book value of assets and liabilities that are not easily evident from their sources. Actual results may differ from these estimates.

Estimates, assumptions and related judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized on a prospective basis.

The following are estimates, assumptions and judgments that are subject to material risks that may lead to a material adjustment to the carrying values of assets and liabilities during subsequent financial years:

A- Impairment in the value of non-financial assets

The Group evaluates at the reporting date the asset whether there is any indication that the asset is impaired. If any such indication exists, the company makes an estimate of the asset's recoverable amount. The recoverable value of an asset is the fair value of the asset less costs to sell and its value in use, whichever is higher. In assessing value in use, the estimated future cash flows of the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, recent market transactions are taken into consideration. If the asset's recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss.

If the impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised value of the recoverable amount, but only to the extent that the revised value does not exceed the carrying amount that would have been determined in the absence of an impairment loss in the carrying amount of the asset at previous years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss.

B- Fair value measurement

- Fair value represents the amount may be collected from the asset sale or a boost to convert commitment between knowledgeable parties on the same terms and dealing with others and depends on the fair value measurement of the following conditions:
- In the principal market for the asset or liability, or the most advantageous market for the asset or liability in the absence of a principal market the company should be able to handle through the most advantageous market.
- When measuring the fair value of an asset or a liability, the Company uses market observable 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 as follows:
 - Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
 - Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
 - Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
- The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.
- Management believes that its estimates and judgments are reasonable and adequate.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

2) BASIS FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2-3 Use of estimates, assumptions and judgments (Continued)

C- Provisions

Provisions are recognized when the group has liabilities arising (legal or constructive) from past events, and the repayment of the liabilities is probable and their value can be measured reliably. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the estimated cash flows to settle the present obligation, its carrying amount is the present value of those cash flows. In the event that some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the amount due is recognized as an asset if it is certain that the amount will be recovered and the value of the amount due can be measured reliably.

D- Estimating the useful life of property, machinery and equipment and the residual value

The Group's management determines the estimated useful life of property, plant and equipment for the purpose of calculating depreciation. This estimation is performed after considering the expected usage of the asset or actual obsolescence. The management periodically reviews the estimated useful lives at least annually and the depreciation method to ensure that the method and periods of depreciation are consistent with the expected pattern of the economic benefits of the assets.

E- Assumptions for defined employee benefit plan obligations

Post separation benefits represent liabilities that will be settled in the future and require the use of assumptions about the expected liabilities. International Accounting Standard No. 19 "Employee Benefits" requires management to use more assumptions related to variables such as discount rates, rate of compensation increases, return on assets, mortality rates, operating turnover and future health care costs. The group's management performs an actuarial valuation for the liability calculation. Changes in key assumptions could have a significant effect on the expected benefit liability and / or the periodic employee benefit costs incurred.

F- Provision for slow moving inventory

The Group's management estimates the provision to reduce the inventory value to the net realizable value if the cost of the inventory is not recoverable, if the inventory is damaged or obsolete in whole or in part, or if the selling price is less than the cost or any other factors that cause the recoverable value to fall below the value. Carrying.

G- Zakat

The group is subject to zakat in accordance with the regulations of the General Authority for Zakat and Income in the Kingdom of Saudi Arabia, and entitlement to Zakat is recognized and charged to the consolidated statement of profit or loss. Additional zakat liabilities, if any, relating to prior-year assessments are computed by the Authority in the year in which the final assessments are issued.

3) NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

Effective date	New standards or amendments
1 January 2020	Amendments to References to Conceptual Framework in IFRS Standards Definition of Material (Amendments to IAS 1 and IAS 8) Definition of a Business (Amendments to IFRS 3) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
1 June 2020	COVID-19-Related Rent Concessions (Amendment to IFRS 16)
1 January 2021	Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
1 January 2022	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)
1 January 2023	Classification of Liabilities as Current or Non-current (Amendments to IAS 1) IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
Available for optional adoption/ effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

3) NEW STANDARDS AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)

The company has implemented amendments to IFRS 16 "Leases" in response to the impacts of COVID-19 on tenants, which were approved on June 1, 2020.

Amendment of IFRS 16 'Leases' in response to the impacts of COVID-19 on tenants.

Effective June 1, 2020, IFRS 16 has been amended to provide a practical way for tenants to calculate rental concessions that arise as a direct result of the COVID-19 pandemic and only if all of the following conditions are met:

A) That the change in lease payments results in a modified lease compensation that is substantially the same as, or less than, the lease compensation immediately before the change;

B) That any reduction in rental payments affects only payments due, beginning, on or before June 30, 2021, and

C) There should not be any material change in the other terms and conditions of the lease agreement.

Rental concessions that meet these criteria may be counted according to practical terms, which means that the tenant does not need to assess whether the rental concession fulfills the definition of a rental modification. Lessees apply other requirements in IFRS 16 in concession account

The company has chosen to take advantage of the amendment to IFRS 16 "Leases" in response to the impacts of COVID-19 on tenants. For all rental concessions that fulfill the conditions. The amendments were applied retrospectively, which means that they were applied to all fulfilling rental concessions, which occurred in the case of the company, from March 2020 to June 2020.

Accounting for lease concessions as the lease adjustments would have resulted in the company re-measuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the recorded lease obligation versus the right-to-use asset. By applying the adjustments, the company does not have to determine the revised discount rate and the effect of the change in the rental obligation is reflected in profit or loss in the period in which the event or condition that gives rise to the lease advantage occurs.

The effect of applying the amendments has been disclosed in Note No. (27).

The company expects to apply the above standards and interpretations (improvements) in the financial statements as per the date mentioned in the standard with expectations that there will be a non-material impact on the financial statements of the company.

4) BASIS FOR CONSOLIDATING

These consolidated financial statements include the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows as well as the notes complementing the consolidated financial statements of the group, as they include the assets, liabilities and results of the group's business and its subsidiaries as well. It is shown in note (1). Subsidiaries are companies controlled by a group. The group controls the company when it has the right to various revenues as a result of its participation in the group and its ability to influence these revenues through its control of the group. Subsidiary companies are consolidated from the date on which the group controls the subsidiaries until the cessation of exercising that control.

The group uses the purchase method to account for the consolidation of operations when control is transferred to the group. The cost of an acquisition is measured at the fair value of the assets acquired. The excess of the cost of acquisition plus the fair value of non-controlling interests over the net identifiable assets acquired is recognized as goodwill in the consolidated statement of financial position. Non-controlling interests are measured by the proportion of their share of the net assets of the controlling group at the date of acquisition. The share in profit or loss and net assets not owned by the group are presented, and are presented as a separate item in the consolidated statement of profit or loss and other comprehensive income and within the shareholders' equity in the consolidated statement of other comprehensive income. Both transactions as well as balances and unrealized profits and losses arising from intra-group transactions are eliminated. Accounting policies of subsidiaries are modified when necessary to ensure consistency with the policies adopted by the group. The Group and its subsidiaries prepare their financial statements for the same reporting periods.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

5) SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

Impairment in value

A- Financial assets

At each consolidated statement of financial position date, the financial assets' values are reviewed, to determine whether there is any indication that their value is impaired. Financial assets such as receivables and assets that are not impaired individually are assessed for impairment on a collective basis. The objective evidence for the decrease in the value of the accounts receivable portfolio may include the group's past experience with regard to collecting payments, and the increase in the number of late payments that exceed the average borrowing period. It may also include the observed changes in the local and international economic conditions that are correlated with the default of receivables. The carrying value of the financial asset is reduced by the amount of the impairment loss in value directly, for all financial assets except for trade receivables, where the carrying value is reduced through the formation of an allowance account. When a receivable is considered uncollectible, then the amount of the liability and the corresponding amount in the allowance account are written off.

Changes in the carrying value of the provisions account are recognized in the consolidated statement of profit or loss and other comprehensive income.

In relation to equity instruments through other comprehensive income, impairment losses previously recognized through the consolidated statement of profit or loss and other comprehensive income are not reversed. Any increase in the fair value that follows an impairment loss is recognized immediately in the consolidated statement of change in shareholders' equity.

B- Non-financial assets

The Group works at each consolidated statement of financial position date to review the carrying values of its assets to determine if there is any indication that these assets have suffered impairment losses. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment losses (if any). If it is not possible to estimate the recoverable amount of a specific asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset itself belongs. When a reasonable and consistent basis of allocation can be identified, the joint assets are allocated to the cash generating units to which the asset itself belongs. When a reasonable and consistent basis of allocation can be identified, the joint assets are allocated to specific cash generating units, or they are allocated to the smallest group of cash generating units for which a reasonable and consistent basis of allocation can be identified.

The recoverable amount is the fair value of the asset less cost to sell or value in use, whichever is higher.

In the event that the recoverable value of the asset (or cash-generating unit) is estimated to be less than the carrying value, the carrying value of the asset (the cash-generating unit) is reduced to the recoverable value. Impairment losses are recognized directly in the consolidated statement of profit or loss and other comprehensive income, unless the asset is revalued, then the impairment losses are recorded as a reduction from the revaluation provision.

De-recognition

The Group derecognises a financial asset only when the contractual rights related to the receipt of cash flows from the financial asset expire, and substantially all the risks and rewards of ownership have transferred to another entity. In the event that the group does not transfer or substantially retains the risks and benefits of ownership and continues to control the transferred asset, the group recognizes its retained share in the transferred asset and its related liabilities within the amounts expected to be paid. In the event that the group retains substantially all the risks and rewards of ownership of the transferred asset, then the group continues to recognize the financial asset.

Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly related to the purchase or issuance of financial assets and liabilities (other than financial assets and liabilities at fair value through the consolidated statement of profit or loss and other comprehensive income) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, upon initial recognition. Transaction costs that are directly related to the purchase of financial assets and liabilities that are measured at fair value through the consolidated statement of profit or loss and other comprehensive income are recognized directly in the consolidated statement of profit or loss and other comprehensive income.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

5) SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

First: financial assets

Financial assets are classified into the following categories: consolidated financial assets at fair value through profit or loss and other comprehensive income, financial assets at other comprehensive income, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way buying and selling of financial assets is recognized on the basis of the transaction date. As the usual buying or selling operations are purchases or sales of financial assets that require delivery of assets within the timeframe specified by the regulations or custom in the market.

A- Financial assets at fair value through profit or loss

Financial assets acquired for the purpose of trading are classified through the consolidated statement of profit or loss when they are acquired for the purpose of trading or are selected to be classified as such.

Financial assets are classified at fair value through profit or loss if:

- It is mainly acquired with the intention of selling it in the near future.
- It represents part of a known portfolio of financial instruments managed by the Group and includes an actual pattern of a financial instrument that generates profits in the short term.
- It represents a financial derivative but is not designated or effective as a hedging instrument.

- Financial assets other than those held for trading may be classified as financial assets defined at fair value through the consolidated statement of profit or loss upon initial registration if:

- Such classification would eliminate or significantly reduce any inconsistent measurement or computation that would have resulted if the classification had not been made in this manner.
- The financial asset represents part of a group of financial assets or financial liabilities or both, which are managed and their performance evaluated on the basis of fair value, according to the risk management or investment strategy documented by the group, where information about the group of financial assets or financial liabilities is obtained internally based on This basis.

The financial asset represents part of a contract that contains a derivative that includes one or more financial instruments. International Accounting Standard No. (9) Financial Instruments allows the combined total contract to be classified as financial assets defined at fair value through the consolidated statement of profit or loss.

Financial assets determined at fair value through the consolidated statement of profit or loss are shown at their fair value, and any gain or loss resulting from the revaluation is recognized in the consolidated statement of profit or loss. The net profit or loss includes any dividends or interest accrued from the financial asset and is included in the consolidated statement of profit or loss.

B- Financial assets at fair value through the statement of other comprehensive income

Listed shares owned by the Group that are traded in an active financial market are classified as financial assets - at FVOCI. The Group also owns unlisted equity investments that are not traded in active markets but are also classified as financial assets at fair value through other comprehensive income, because management believes that fair value can be measured reliably. Profits and losses resulting from the change in the fair value are included in the items of other comprehensive income, which are added to the item cumulative changes in the fair value of investments within the shareholders' equity, with the exception of impairment losses, which are included in profits and losses. In the event that the investment is excluded or there is a specific decrease in its value, the profits or losses as a result of its previous evaluation and recognized in the investments revaluation reserve are included in the statement of other comprehensive income.

Any income from dividends from investments in equity instruments is recognized at fair value through other comprehensive income when the right of the company to receive payments for dividends from those investments is established and recognized as income in profits and losses unless the dividends clearly represent a recovery of part of the cost of the investment. Other gains and losses are recognized in other comprehensive income and are never reclassified into profit or loss.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

5) SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C- Financial assets measured at amortized cost

Accounts receivable, including trade and other receivables, bank balances and cash, are measured at amortized cost using the effective interest method without any impairment loss, which is determined in profit or loss. Interest income is determined by applying the effective interest rate, except for short-term receivables when the effect of discounting is not significant.

Second: Financial liabilities

Financial liabilities (including loans and payables) are measured initially and subsequently at amortized cost using the effective interest method.

The Group discontinues recognition of a financial liability when the obligation is discharged, canceled or expires. The difference between the carrying amount of the financial liability eliminated and the amount paid is recognized in the consolidated statement of profit or loss and other comprehensive income.

Effective interest rate method

The effective interest rate method is a method for calculating the amortized cost of a debt instrument and allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash amounts (including all fees and points paid or received, that are an integral part of the effective interest rate, transaction costs, and other premiums or discounts), through the expected life of the debt instrument, or a shorter period - if required - to the net book value upon initial recognition.

Cash and bank balances

Cash and bank balances include bank balances, bank murabaha and other highly liquid investments that are convertible into known cash amounts that mature within three months or less from the date of their purchase.

Accounts receivable

Trade receivables are shown at the original invoice amount less expected credit loss allowance. A provision for expected credit losses is established when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables. Bad debts are written off when identified, against the related provisions. The provisions are charged to the consolidated statement of profit or loss. Any subsequent recoveries of accounts receivable amounts previously written off are added to revenue.

Capital business under construction

Capital work in progress is stated at cost and includes cost of construction, equipment and direct overheads. Capital work under construction which will be depreciated by the Group when ready for use is not amortized as it is transferred to property, plant and equipment.

Inventory

Inventory is valued at cost or net realizable value, whichever is lower, cost is determined using the weighted average method, provision for slow moving and sluggish inventory is recorded on the consolidated statement of profit or loss in accordance with the group's policy. Net realizable value represents the estimated selling price in the ordinary course of business minus the estimated costs and the estimated necessary costs to complete and complete the sale.

Goodwill

Goodwill represents the excess of the cost of investments over the fair value of net assets acquired on business combination. Goodwill is evaluated annually to determine the amount of impairment and is recorded at cost less impairment losses. Impairment losses are not reversed after they have been recorded. Gain or loss on disposal of an entity includes the carrying value of the goodwill relating to the entity sold.

If the cost of the investment acquired is less than its fair value on the date of acquisition, then this difference is settled by reducing the fair values of the non-current assets of the acquired group in proportion to its carrying value, except for long-term investments in securities.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

5) SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, net of accumulated depreciation and impairment losses.

Cost includes expenditures that are directly related to the acquisition of the asset and any other direct costs associated with bringing the asset into operation for its intended use. The cost of software related to the machine is capitalized within the cost of that machine.

When the useful life of items of property and equipment varies, they are accounted for as items (major components) of that property and equipment.

The gain or loss resulting from the disposal of an item of property and equipment is calculated by comparing the receipts from disposal with the carrying value of these items of property and equipment, and it is recognized net in "other expenses" in the statement of comprehensive income.

(ii) Subsequent costs

The cost of the replaced part of an item of property and equipment is recorded within the book value of that item if it is likely that future economic benefits will flow to the company that lie in that part, in addition to the ability to reliably measure the cost of that part. The daily costs incurred by the company in maintaining and operating property and equipment are recorded in the statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation is recognized on the straight-line method over the estimated useful life of each item of property and equipment. With the exception of lands, do not be consumed.

Items of property and equipment are depreciated from the date they are installed and ready for use, and for internally constructed assets, they are depreciated from the date they are completed and ready for use.

Leasehold improvements are amortized over the lower useful life of the improvement or the term of the lease agreement.

The following are the depreciation rates for the major items of assets:

<u>Description</u>	<u>The ratio %</u>
Buildings	2-3%
Furniture & Fixtures	10%
Cars and trucks	7-20%
Machinery, equipment, trailers and transport mechanisms	10%
Communication devices and phones	25%
Computers	15%
Electrical appliances	10%
Billboards	15%
Building improvements	4% or the lease term, whichever is less
Strategic spare parts	5%

The depreciation method, useful life and residual value are evaluated periodically at the end of each financial year.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

5) SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right to use the asset and lease obligations

The Group has recognized new assets and liabilities for its operating leases for various types of contracts, including land and buildings. Each rental payment is apportioned between the liability and the financing cost. The finance cost is charged to the consolidated statement of profit or loss over the lease term so that a constant periodic rate of interest is achieved on the remaining balance of the liability for each period. The right to use the asset is depreciated over the useful life of the asset and the lease term, whichever is shorter, on a straight-line basis.

The assets and liabilities arising from the lease contract are initially measured on a present value basis

1- The right to use assets is measured at cost, which includes the following:

- The amount of the initial measurement of the lease liability, i.e. rental incentives received.
- Any rental payments made on or before the contract commencement date minus.
- Any initial direct costs,
- Renewal costs.
- At cost minus.

Subsequent measurement of the right to use assets is accumulated depreciation.

2- Lease liabilities include the net present value of the following lease payments

- Fixed payments (including fixed payments in substance) minus any debt lease incentives,
- Variable rental payments that are based on an index or rate,
- The amounts expected to be paid by the lessee under the residual value guarantees,
- The price of exercising the option to buy if the lessee is reasonably certain that he will exercise the option, and
- Payments of fines related to the termination of the lease contract, if the lease term reflects the tenant's exercise of that option.

Lease payments are discounted using the incremental borrowing rate, which represents the price that the lessee will pay to borrow the funds needed to obtain an asset at a similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of impaired assets on a straight-line basis are recognized as an expense in the consolidated statement of profit or loss. Short-term leases are leases with a lease period of 12 months or less. They include low-value assets related to short-term leases and leases with his heirs with no intention of renewal. The terms of the lease contracts are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the term of the lease, management considers all facts and circumstances that create an economic incentive to exercise the option of extension, or not to exercise the option to terminate. Extension options are only included in the term of the lease if the lease is fairly firm. When determining the term of the lease contract, management generally takes into account some factors including historical lease periods and business interruption costs required to replace the leased asset.

Trade payables

Liabilities are recognized for amounts to be paid in the future for services received, whether or not billed by suppliers.

Revenues

Revenue from sales is recognized upon delivery of goods and providing services to customers, and revenue from sales of goods is recognized based on a five-step model as stated in the International Financial Reporting Standard No. (15):

- 1- Determining the contract with the customer: It defines the contract as an agreement between two or more parties that creates enforceable rights or obligations and defines the criteria that must be met.
- 2- Defining performance obligations in the contract: A performance obligation is a promise with a customer to transport a commodity or provide a service.
- 3- Determining the transaction price: The transaction price is the amount of the consideration that the group expects to receive in exchange for transferring the goods or services promised to the customer, excluding the amounts collected on behalf of third parties.
- 4- Price allocation to the transaction: performance obligations in the contract: for a contract that contains more than one performance obligation, the group will allocate the transaction price to each performance obligation in an amount that determines the amount of consideration that the group undertakes, determining the amount of consideration that the group expects to receive in exchange for fulfillment With all commitment.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

5- Revenue is recognized when (as) the entity fulfills the performance obligation.

5) SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease contracts

Leases are classified as finance leases when the risks and benefits of ownership are transferred substantially to the lessee under the terms of the lease contracts, and other types of lease contracts are classified as operating leases.

The group as a lessee

Financing leases that effectively transfer all the significant benefits and risks to property ownership to the Group at the commencement of the lease are capitalized at the fair value on the acquisition date, or if it is lower, at the present value of the minimum lease payments. The lease payments are distributed between the financial burdens and the reduction of the lease obligations in order to achieve a fixed commission rate on the remaining balance of the liabilities. Financial burdens are recognized in finance costs in the statement of profit or loss and other comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will acquire the ownership at the end of the lease term, the asset is depreciated during the estimated useful life of the asset or the contract period, whichever is less.

An operating lease is a lease contract that differs from a finance lease. Payments under operating leases are recognized as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

The group is a lessor

Leases in which the Group does not transfer all the risks and rewards of ownership of intrinsic assets are classified as operating leases. Initial direct costs incurred in negotiating and preparing an operating lease contract are added to the book value of the leased asset and are recognized over the lease period on the same basis as the rental income recognition. Contingent rents are recognized as revenue in the year in which they are earned.

Expenses

All direct expenses related to the realization of activity revenues consist of salaries, wages and indirect goods costs charged to the cost of revenues, while selling and marketing expenses include the salaries of sales staff and any other expenses related to selling and marketing for the benefit of the group, and the rest of the expenses are classified under general and administrative expenses, and the expenses are also distributed Common cost of revenue and general and administrative expenses. The joint expenses are allocated on a fixed basis.

Zakat provision

Estimated zakat is an obligation on the group and it is recovered in the consolidated financial statements attached to uploading it to the consolidated statement of profit or loss in accordance with the standard of zakat and the opinion issued by the Saudi Organization for Certified Public Accountants, where it is calculated for an estimated year according to the accrual principle.

Zakat is computed at the end of the year on the basis of the modified consolidated net profit or loss or the Zakat base, whichever is greater, according to the regulations of the General Authority for Zakat and Income in the Kingdom of Saudi Arabia. The group obtained the approval of the General Authority of Zakat and Income to submit a consolidated zakat declaration for the group.

Differences between the provision and the final assessment are addressed in the year in which the assessment is received.

Long-term loans

Loans are recorded with the net value received, and commissions are charged on loans using the effective commission rate method. Commissions are charged on long-term loans during the period in which they are due.

Borrowing and financing costs

Borrowing and financing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized under the terms of capitalization of the cost of borrowing and financing as part of the cost of that asset, and qualifying assets are those that necessarily require a long time to become ready for use. Other borrowing and financing costs are recognized as an expense in the consolidated statement of profit or loss in the period incurred by the Group.

Employee bonuses

- Defined employee benefit plan

Specific employee benefit plan liabilities are determined using the projected unit cost method with an actuarial valuation performed at the end of each annual financial period, and re-measurement that includes actuarial gains and losses are included in the consolidated statement of financial position while expenses or credits are included in the statement of profit or loss and income. The other comprehensive income is consolidated for the period in which it is

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

incurred. The re-measurement recognized in other comprehensive income is immediately included in retained earnings and is not re-included in profit or loss.

5) SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee bonuses (Continued)

- Retirement benefits

The Group pays retirement contributions for its Saudi employees to the Social Insurance Institution, and represents a defined contribution plan, and the payments are considered expenses when incurred.

- Short-term employee bonuses

The liability for benefits payable to employees in respect of wages and salaries, annual leave and sick leave in the year in which the related service is provided is recognized in the undiscounted amount of the benefits expected to be paid in exchange for that service.

Intangible assets

Intangible assets except for goodwill are measured at cost less accumulated amortization and any impairment losses if any. Intangible assets have been amortized on a straight-line basis over the economic life.

Dividend

Dividend distributions to shareholders of the group are recognized under other liabilities in the group's consolidated financial statements in the period in which the dividends are approved by the shareholders of the group.

Segment information

The business sector represents a group of assets and operations that jointly provide products or services that are subject to risks and returns that differ from those related to other business sectors, which are measured according to the reports used by the CEO and the main decision maker of the group.

The geographical sector is related to providing products in a specific economic environment subject to risks and returns that differ from those related to business sectors in economic environments.

Offsetting

Offsetting the financial assets and liabilities takes place and the net amount is shown in the consolidated statement of financial position when there is a binding legal right to apply the clearing process between these amounts and the group intends to settle on the basis of the net of these amounts, or to recognize the asset and settle the obligation simultaneously.

Foreign currency exchange

Transactions in foreign currency are converted into Saudi riyals at the exchange rates prevailing at the time of the transaction. Monetary assets and liabilities in foreign currencies as at the date of the consolidated balance sheet are converted into Saudi riyals at the rates prevailing at the end of the year. Gains and losses arising from repayments or foreign exchange transfers are included in the consolidated statement of profit and loss and other comprehensive income.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

6) PROPERTY, PLANT AND EQUIPMENT, NET

A- property, plant and equipment consists of the following:

Cost:	Land SR	Buildings SR	Furniture and fixtures SR	vehicles and Trucks SR	Machinery, equipment, trailers and transport mechanisms SR	Communication devices and phones SR	Computers SR	Electrical devices SR	Billboards SR	Lease hold improvement SR	Total SR
As at January 1, 2020	419,802,172	668,102,147	24,295,143	47,327,582	83,825,337	1,714,029	14,918,306	37,231,011	27,167,969	141,385,284	1,465,768,980
Additions	37,255,488	606,425	895,890	6,594,393	16,019,084	-	1,883,691	1,120,880	3,749,374	2,829,509	70,954,734
Transfer from capital work in progress	-	42,719,658	40,925	-	1,662,106	-	-	972,773	311,300	31,048,134	76,754,896
Transferring from strategic stocks to assets	-	-	-	-	5,502,716	-	-	-	-	-	5,502,716
Disposals	-	(91,174)	(650)	(1,117,926)	(77,535)	-	(22,586)	(24,918)	(36,560)	(1,600,753)	(2,972,102)
As at December 31, 2020	457,057,660	711,337,056	25,231,308	52,804,049	106,931,708	1,714,029	16,779,411	39,299,746	31,192,083	173,662,174	1,616,009,224

Accumulated Depreciation:

As at January 1, 2020	-	206,166,540	16,485,732	23,924,195	41,099,371	1,605,519	8,314,785	19,884,375	15,267,744	44,353,932	377,102,193
Additions	-	20,456,402	1,432,881	3,955,236	9,126,477	55,792	1,855,066	3,049,295	2,959,914	10,129,890	53,020,953
Disposals	-	(80,151)	(649)	(347,096)	(67,011)	-	(17,959)	(11,783)	(27,642)	(313,042)	(865,333)
As at December 31, 2020	-	226,542,791	17,917,964	27,532,335	50,158,837	1,661,311	10,151,892	22,921,887	18,200,016	54,170,780	429,257,813

Net book value:

As at December 31, 2020	457,057,660	484,794,265	7,313,344	25,271,714	56,772,871	52,718	6,627,519	16,377,859	12,992,067	119,491,394	1,186,751,411
As at December 31, 2019	419,802,172	461,935,607	7,809,411	23,403,387	42,725,966	108,510	6,603,521	17,346,636	11,900,225	97,031,352	1,088,666,787

B- The buildings clause includes buildings whose cost in the accounting records is 655,693,614 Saudi riyals (2019: 599,372,416 Saudi riyals) erected on leased lands under operating leases ranging from 5 to 35 years, subject to renewal.

C- The property, machinery and equipment includes lands and buildings, the cost of which in the records amounted to 107,686,159 Saudi riyals (2019: 101,773,687 Saudi riyals) Certificates of ownership of which are mortgaged against the facilities granted to the group by banks.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

7) GOODWILL

The goodwill arose through the acquisition of Zaiti Petroleum Services Company during 2015, the following are the balances as at December 31:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Zaiti Petroleum Services Company	<u>4,308,993</u>	<u>4,308,993</u>

A) Impairment test:

Goodwill is tested annually. Assets are tested for impairment by comparing the book value with the recoverable value, which is determined on the basis of information used in the calculation of the present value that uses expected cash flows based on financial projections approved by senior management for a period of five years.

B) the basic assumptions used in calculating present value

Management based its forecast of sales growth and gross margin on past performance and its expectations regarding developments in the market. The discount rates reflect management's expectations of the specific risks specific to the sector. The related estimates were based on the published information and the price movement of raw materials during the previous periods, which were used as indicators of future price movement. Growth rates were based on industry average rates.

The present value calculation is significantly affected by the assumptions regarding the rate of sales growth and cost of revenue inflation used in extrapolating the five-year post-budget cash flows as well as the factors used in computing the terminal value. The terminal value is calculated using the profitability multiplier.

C) Sensitivity to changes in assumptions

With regard to the estimation of present value, management believes that there are no reasonable potential changes in any of the above basic assumptions that would lead to the carrying value of the unit including goodwill materially exceeding its recoverable amount. The following are the assumptions that result from the changes in the underlying assumptions:

A- Assumptions related to sales growth.

B- Cost of sales.

C- Duplicate the final value

8) INTANGIBLE ASSETS

Cost:

	<u>31 December 2020</u>	<u>31 December 2019</u>
	<u>SR</u>	<u>SR</u>
As at 1 January	19,400,878	19,368,614
Additions	1,932,300	32,264
As at 31 December	<u>21,333,178</u>	<u>19,400,878</u>

Accumulated Amortization:

As at 1 January	(14,010,376)	(12,645,523)
Additions	(1,312,498)	(1,364,853)
As at 31 December	<u>(15,322,874)</u>	<u>(14,010,376)</u>

Net book value:

As at 31 December	<u>6,010,304</u>	<u>5,390,502</u>
-------------------	------------------	------------------

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

9) PROJECTS UNDER PROGRESS

This item of 65,744,738 Saudi riyals (2019: 60,772,302 Saudi riyals) represents the cost of constructing petroleum stations in different regions in the Kingdom of Saudi Arabia, and it is expected to complete these works during the year 2021. The expected cost of these works amounts to 48.5 million Saudi riyals.

The movement in capital work under construction for the year ended December 31 is as follows:

	31 December 2020 SR	31 December 2019 SR
As at 1 January	60,722,302	40,011,413
Additions for the year	81,777,332	46,841,042
Transfer to property, plant and equipment (Note 6)	(76,754,896)	(26,130,153)
As at 31 December	65,744,738	60,722,302

10) INVESTMENT AND ACCUMULATED CHANGES AT FAIR VALUE FOR INVESTMENTS

A- This item consists of the following:

	31 December 2020 SR	31 December 2019 SR
Investments at fair value through other comprehensive income in shares and shares of non-public traded companies - B	153,907,786	151,821,889
Investments at fair value through other comprehensive income in shares and shares of public traded companies - C	32,753,665	32,987,628
	186,661,451	184,809,517

B- Investments at fair value through other comprehensive income in shares and shares of non-public traded companies

The group owns shares and stakes in non-public traded companies. During the year 2020 AD, the group contracted with Nawwaf Saleh Muhammad Al-Thunayan Valuation Office, Middle East Company and Al-Dakhil Valuation Office. For companies, based on future cash flows, financial analysis, and projected corporate growth rates. The market value of the Middle East Batteries Company has been set at 1,186,208,000 Saudi riyals (2019: 1,178,535,000 Saudi riyals), the National Tourism Company at an amount of 574,106,488 Saudi riyals (2019: 267,925,000 Saudi riyals). The investment is treated using the fair value method, and it is not possible to determine the fair value, so the best way to determine the fair value is cost.

The group's shares are as follows:

As on December 31, 2020:

	Group share	Valuation value SR	The group's share of the cost of the purchase SR	The group's share at fair value SR	Profits / (Losses) Revaluation SR
Middle East Batteries Company	12.79%	1,186,208,000	26,390,500	151,716,003	125,325,503
The National Company for Tourism	0.36%	574,106,488	1,500,000	2,066,783	566,783
Racing Company Ltd.	25%	-	125,000	125,000	-
		1,760,314,488	28,015,500	153,907,786	125,892,286

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

10) INVESTMENT AND ACCUMULATED CHANGES AT FAIR VALUE FOR INVESTMENTS (CONTINUED)

B- Investments at fair value through other comprehensive income in shares and shares of non-public traded companies (Continued)

As on December 31, 2019:

	Group share	Valuation value SR	The group's share of the cost of the purchase SR	The group's share at fair value SR	Profits / (Losses) Revaluation SR
Middle East Batteries Company	12.79%	1,178,535,000	26,390,500	150,734,627	124,344,127
The National Company for Tourism	0.36%	267,295,000	1,500,000	962,262	(537,738)
Racing Company Ltd.	25%	-	125,000	125,000	-
		1,445,830,000	28,015,500	151,821,889	123,806,389

C- Investments at fair value through other comprehensive income in shares, shares and public traded companies

This item represents the value of the group's investment in shares and shares of public traded companies. During the last quarter of 2019, the group invested in the purchase of 935,819 shares in the Saudi Arabian Oil Company, with a total cost of 29,946,208 Saudi riyals, and the fair value of these investments was 32,753,665 riyals. Saudi.

D- The movement in the investment revaluation reserve at FVTOCI as at December 31 is as follows:

	2020 SR	2019 SR
Balance, at the beginning of the year	126,847,800	75,547,896
Movement in fair value of investments in shares and stakes of unquoted companies	2,085,897	48,258,893
Movement in fair value of investments in shares and shares of publicly traded companies	(233,963)	3,041,011
Balance, at the end of the year	128,699,734	126,847,800

11) RIGHT OF USE ASSETS AND LEASE LIABILITIES

The following table shows the movement during the period on each of the right to use assets and rental liabilities as of December 31, 2020:

	31 December 2020 SR	31 December 2019 SR
Cost		
As at 1 January (adjusted)	1,040,100,916	866,055,665
Additions during the year	519,150,881	174,045,251
Disposals during the year	(42,272,644)	-
As at 31 December	1,516,979,153	1,040,100,916
Accumulated depreciation		
As at 1 January (adjusted)	251,283,597	186,821,674
Charged during the year	89,253,842	64,461,923
Disposals during the year	(12,321,299)	-
As at 31 December	328,216,140	251,283,597
Net book value	1,188,763,013	788,817,319

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

11) RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The lease liabilities amounted to at the end of the year as follows:

	31 December 2020	31 December 2019
	SR	SR
lease liabilities		
Current portion	100,708,904	59,284,434
Non-current portion	1,105,697,343	758,651,642
Total lease liabilities	1,206,406,247	817,936,076

Expenses related to short and low-value leases contracts during the year ended 31 December 2020 amounted to 18,125,616 Saudi riyals.

12) ACCOUNT RECEIVABLE, PREPAID EXPENSE AND OTHER ASSETS, NET

A- This item consists of the following:

	31 December 2020	31 December 2019
	SR	SR
Account Receivable fuels and leaseholders-b	116,590,272	105,220,224
Trade receivable	9,204,363	6,297,099
Less: Provision for expected credit losses-c	(12,329,337)	(7,216,319)
Net	113,465,298	104,301,004
Aramco Compensation-g	-	99,354,605
Prepaid from suppliers	34,483,700	27,778,999
Due from related parties	125,372	520,513
Advance payment	23,226,186	13,187,136
Staff loans	4,618,031	6,432,166
Prepaid rent	7,430,626	10,693,087
Insurance-d	5,500,379	6,430,245
Customs claims	1,898,423	1,722,759
Letter of guarantees	750,000	750,000
Others	10,143,796	10,121,974
	201,641,811	281,292,488
Provision for impairment in advance payments and other assets	-	(9,700,892)
	201,641,811	271,591,596

B - The item receivables from fuel clients and renters includes 33% of balances due from government agencies (2019: 23.9%)

C- The movement in Provision for expected credit losses for the year ended 31 December :

	31 December 2020	31 December 2019
	SR	SR
As at 1 January	7,216,319	7,216,319
Charged during the year	20,947,427	-
Bad debts	(15,834,409)	-
As at 31 December	12,329,337	7,216,319

D- The movement in Provision for impairment in advance payments and other assets for the year ended 31 December :

	31 December 2020	31 December 2019
	SR	SR
As at 1 January	9,700,892	6,429,032
Charged during the year	-	4,967,730
Provision adverse	(1,701,468)	-
Bad debts	(7,999,424)	(1,695,870)
As at 31 December	-	9,700,892

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

12) ACCOUNT RECEIVABLE, PREPAID EXPENSE AND OTHER ASSETS, NET (CONTINUED)

E - The ages of receivables as of December 31 are as follows:

	31 December 2020	31 December 2019
	SR	SR
From 1 to 90 days	46,046,434	58,209,626
91 to 180 days	15,295,332	16,028,453
181 to 360 days	19,501,153	12,937,084
More than 360 days	44,951,716	24,342,160
	125,794,635	111,517,323

F- The refundable security clause includes an amount of 3,000,000 Saudi riyals (2019: 3,000,000 Saudi riyals) which is the value of a cash guarantee to meet the payment of customs duties before the Sudanese General Administration of Customs for Saudi cars visiting the State of Sudan with customs transit books issued by the Saudi Automobile Club Company "one of the affiliated companies".

13) TRANSACTIONS WITH RELATED PARTIES

The Group conducts business, in the normal course of business, with other companies and individuals within the definition of related parties contained in the International Financial Reporting Standards, and these transactions are carried out in the normal course of business and measured by the values of the transaction prices agreed upon between the two parties, based on free competition, and the absence of Differential rates. The balances outstanding at the end of the year are without guarantee and interest is not calculated on them and they are settled in cash, and no guarantees have been provided or received against any receivables or payables from a related party, and the group has not registered for the year ending on December 31, 2020, December 31, (2019: No There is), any decrease in the value of receivables related to amounts due from related parties, and this evaluation is performed every financial year by examining the financial position of the related party and the market in which this party operates.

During the normal course of business, the Group engaged in multiple material dealings with related parties i.e.: the main shareholders of the company) as described below:

	31 December 2020	31 December 2019
	SR	SR
Salaries, allowances and incentives for non-executive board members	926,000	908,000
Salaries of senior management employees	9,199,430	7,402,732
Purchases from a company owned by a shareholder	62,000	71,200
Sales to companies owned by a shareholder	305,371	279,400
Renting stations from shareholders	3,408,000	3,426,000

The related party balances are summarized as follows:

	31 December 2020	31 December 2019
	SR	SR
Nahaz Investment Company	53,035	34,649
Star Projects Contracting Company	29,830	72,226
Al Madaen Star Group Company for Contracting	24,064	298,897
Fun Gate Company	13,042	87,822
Zawayia Real Estate Company	5,401	-
Majid bin Hassan Al-Othman	-	45,944
Amounts due from related parties	125,372	539,538

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

14) INVENTORIES, NET

This clause consists of the following:

	31 December 2020	31 December 2019
	SR	SR
Petroleum goods and materials	35,312,913	41,448,279
Stock of spare parts and consumables	3,769,882	12,573,352
Customs transit books and international licenses	1,635,015	1,247,280
Other	1,454,008	2,189,481
	<u>42,171,818</u>	<u>57,458,392</u>

15) INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020	31 December 2019
	SR	SR
Investments at fair value through profit or loss in investment funds	275,766	268,592
	<u>275,766</u>	<u>268,592</u>

Movement of investments at fair value through profit or loss in investment funds during the year is as follows:

Investments are represented at fair value through profit or loss in investment funds, and the movements in these investments during the year ended December 31 are as follows:

	31 December 2020	31 December 2019
	SR	SR
As at 1 January	268,592	264,268
Changes in fair value	7,174	4,324
As at 31 December	<u>275,766</u>	<u>268,592</u>

16) CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
	SR	SR
Cash on hand	5,963,027	9,482,475
Cash at banks*	98,321,889	55,535,981
	<u>104,284,916</u>	<u>65,018,456</u>

* Balances with banks include an amount of 45,613,389 Saudi riyals (2019: 40,885,539 Saudi riyals) representing cash recorded with banks in return for obligations against shareholders' dues.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

17) Murabaha financing and long and short term loans

- Long term loans

The date of the last installment payment	Payment method	Purpose	Non-current portion as of		Current portion as of		Separated amount		Facility amount		Bank
			December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	
September 21, 2027	March 21, 2021	Semi-annual To finance the construction of new petrol stations and the renovation of existing ones	230,704,888	184,280,109	29,605,182	33,571,430	260,310,070	217,851,539	636,320,000	569,943,000	Riyad Bank
May 19, 2024	06 June 2020	Quarterly To finance the construction of new petrol stations and the renovation of existing ones	16,170,952	113,221,527	5,390,317	8,352,281	21,561,270	121,573,808	557,638,482	557,638,482	SABB Bank
July 23, 2027	July 23, 2022	Semi-annual To finance the construction of new petrol stations and the renovation of existing ones	150,000,000	-	-	-	150,000,000	-	250,000,000	-	Arab Bank
December 21, 2022	June 30, 2017	Semi-annual A limit to finance the restoration and construction of the stations	135,599,998	90,399,998	-	45,200,000	135,599,998	135,599,998	523,200,000	523,200,000	Banque Saudi Fransi
April 1, 2020	June 30, 2016	Quarterly A limit to finance the restoration and construction of the stations	-	-	-	1,143,574	-	1,143,574	-	-	Alawwal Bank
- Short-term loans and murabaha			532,475,838	387,901,634	34,995,499	88,267,285	567,471,338	476,168,919	1,967,158,482	1,650,781,482	

Payment method	Purpose	Current portion as of		Separated amount		Facility amount		Bank
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	
Repayable after 120 days in full from the date of the loan	Aramco bills financing	-	15,000,000	-	15,000,000	55,000,000	55,000,000	ANB Bank
Pay off in full 365 days from the date of the loan	Aramco bills financing	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	Banque Saudi Fransi
Pay off in full 365 days from the date of the loan	Aramco bills financing	-	-	-	-	5,000,000	5,000,000	Al Jazeera Bank
Pay off in full 360 days from the date of the loan	Aramco bills financing	25,692,241	20,000,000	25,692,241	20,000,000	20,000,000	20,000,000	Riyad Bank
Repayable after 120 days in full from the date of the loan	Aramco bills financing	3,714,203	50,000,000	3,714,203	50,000,000	75,000,000	75,000,000	SABB Bank
Repayment after the full 240 days from the date of the loan	Financing clients and tenants bills	-	-	-	-	75,000,000	75,000,000	Gulf bank
Pay off in full 365 days from the date of the loan	Aramco bills financing	50,000,000	-	50,000,000	-	50,000,000	-	Arab Bank
		99,406,444	105,000,000	99,406,444	105,000,000	300,000,000	250,000,000	

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

18) ACCOUNTS PAYABLES, ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>31 December 2020</i>	<i>31 December 2019</i>
	SR	SR
Suppliers of petroleum materials	119,145,006	95,997,643
Unearned revenue	38,525,109	45,320,674
Accrued expenses	14,545,351	14,483,206
Suppliers goods and service	18,810,515	18,596,431
Provision for customs claims	14,068,183	15,330,646
Retentions	7,827,668	12,333,758
Guarantees with other	14,156,909	10,243,937
Accrued VAT	2,478,072	811,058
Other	9,970,033	5,125,778
	239,526,846	218,243,131

19) DIVIDENDS PAYABLE

	<i>31 December 2020</i>	<i>31 December 2019</i>
	SR	SR
Dividend	22,975,130	18,226,352
Shares sold by auction	16,729,039	16,746,073
Subscription surplus - upon incorporation	2,251,550	2,251,550
Capital reduction surpluses	2,119,778	2,119,778
IPO Surplus - the second installment	1,537,892	1,537,892
	45,613,389	40,881,645

20) EMPLOYEES' DEFINED BENEFITS OBLIGATIONS

The following is the movement of defined employee benefit obligations:

	<i>31 December 2020</i>	<i>31 December 2019</i>
	SR	SR
At the beginning of the year	14,761,002	12,213,431
Charged during the year	3,261,097	2,298,279
Re-measure defined employee benefit obligations	2,720,116	1,229,523
Paid during the year	(2,887,800)	(980,231)
At the end of the year	17,854,415	14,761,002

The actuarial valuation was performed by Mersar Financial Services Company and performed using the expected credit unit.

The main assumptions used for the purposes of the actuarial valuation were as follows:

	<i>2020</i>	<i>2019</i>
	SR	SR
The employee turnover rate	Medium	Medium
Long-term salary increase	2%	3%
Discount rate for cash flow	2.1%	2.5%

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

21) ESTIMATED ZAKAT

A- This item consists of the following:

	2020 SR	2019 SR
The main elements of the Zakat base are as follows:		
Shareholders' equity	767,801,794	729,634,878
Adjusted net income	76,175,479	130,364,768
Additions	1,821,989,691	1,440,362,652
Discounts	(2,583,382,637)	(2,118,008,276)
The Zakat base	<u>82,584,327</u>	<u>182,354,022</u>

B- The movement in zakat provision as of December 31 is as follows:

	2020 SR	2019 SR
At the beginning of the year	4,572,420	3,177,694
Charged during the year	5,736,537	3,247,206
Paid during the year	(4,723,144)	(1,852,480)
At end of the year	<u>5,585,813</u>	<u>4,572,420</u>

C- Zakat status

- The final assessments of the company were issued on 7/12/2020 for the years from 2014 to 2018, including zakat differences amounting to 12,327,854 Saudi riyals. The company objected to these differences on 3/2/2021. The company's management decided to take a provision of 3.6 million Saudi riyals, based on the opinion of the company's zakat advisors.

- During the year 2013 AD, the group obtained the approval of the General Authority of Zakat and Income to submit a consolidated zakat declaration for each of the group and its subsidiary companies in accordance with the interest letter No. 19181/16/1437.

- The company has submitted the Zakat decision for the year 2019, and the final assessment has not been issued.

22) STATUTORY RESERVE

According to the Saudi Companies Law, the company must transfer 10% of the net income for the year to the statutory reserve. The company may stop making such transfer when the total reserve reaches 30% of the share capital. This reserve is not available for distribution.

23) REVENUE

	2020 SR	2019 SR
Fuel operating income	1,750,488,471	2,070,669,017
Grocery revenue	176,613,615	212,589,920
Rental income	141,459,225	130,986,066
Other	67,680,413	68,597,895
	<u>2,136,241,724</u>	<u>2,482,842,898</u>

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

24) GENERAL AND ADMINISTRATION EXPENSES

	2020	2019
	SR	SR
Salaries, wages and employee benefits	24,918,527	25,324,507
Professional fees and consultations	3,591,271	7,884,484
Provision for impairment in advance payments and other assets	-	4,967,730
Bank expenses	2,813,365	3,102,550
Depreciation of property, machinery and equipment	2,345,053	3,001,395
Amortization of intangible assets	1,280,072	1,364,853
Provision for customs claims	331,383	1,234,024
Rentals	-	1,100,000
Maintenance expenses	654,886	464,491
electricity and water	712,220	167,572
Other	6,944,838	2,191,963
	<u>43,591,615</u>	<u>50,803,569</u>

25) OTHER INCOME, NET

	2020	2019
	SR	SR
Saudi Arabian Oil Company compensation Saudi Aramco) *	-	24,191,073
Compensation payable **	-	9,762,785
Gain / (Loss) from sale of property, plant and equipment	1,178,279	(75,503)
Other	1,637,310	364,051
	<u>2,815,589</u>	<u>34,242,406</u>

* The item represents the value of the compensation due and resulting from the company's proof of the difference in the profit margin increase for fuel, so the new profit margin becomes 15 halalas for gasoline instead of 9 halalas per liter and 5 halalas for diesel instead of 3.5 halalas per liter. What is new from August 23, 2018 to December 31, 2019. The company's management did not reflect the effect of this amount on the previous period in line with the requirements of International Accounting Standard No. 8) "accounting policies and changes in accounting estimates and errors".

** The item includes a balance of 8,217,461 Saudi riyals represented in a final court ruling obliging the Ministry of Housing to pay it as a fee for the trespass on the land of the Saudi Company for Automobile and Equipment Services (SASCO) located on the Hafar Al-Batin / Riyadh road. The matter relates to a lawsuit filed against the Ministry of Housing on Rajab 29, 1434 AH, and the ruling was issued by the General Court in Riyadh.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

26) SEGMENTAL INFORMATION

A sector is an essential part of the group that sells / provides specific services (sector / business) or sells / provides services in a specific economic environment, geographical sector) whose profits and losses differ from the profits and losses of other sectors. The group tracks the business sector to report on its segment information.

The group's sectors are as follows:

- The retail and operation sector: includes the activities of operating the stations from the sale of fuel, the sale of food and beverages, and the operation of residential and commercial buildings.
- Investments sector: includes investment activity in other companies and investments in securities.
- The Saudi Automobile Club sector: It is the sector that issues customs transit books, international driving licenses, and sports activities.
- Transport fleet services sector: It is the sector that services the transportation of liquid and dry materials.
- The franchising sector: it is the sector that grants the right to exploit the trademark to SASCO.

The selected segment information is provided by business segment as follows:

	Retailing and operation sector		Investments sector		Saudi automobile & touring association sector		Transport fleet services sector		Franchise sector SASCO		Joint assets and liabilities sector		Total	
	SR		SR		SR		SR		SR		SR		SR	
As of 31 December 2020														
Total assets	3,021,074,460		338,445,375		34,233,564		47,878,739		405,884		(455,423,801)		2,986,614,221	
Total liabilities	2,277,405,679		-		17,205,732		10,161,022		-		(122,907,942)		2,181,864,491	
Net Revenue	2,417,453,041		-		3,551,149		29,598,041		-		(314,360,507)		2,136,241,724	
Income from main operations	97,391,034		4,047,187		(2,547,791)		5,477,073		(32,041)		-		104,335,462	
As of 31 December 2019														
Total assets	2,359,892,960		332,312,294		35,746,895		37,621,952		437,926		(238,959,571)		2,527,052,456	
Total liabilities	1,751,200,637		-		15,916,272		5,326,241		-		(94,879,956)		1,677,563,194	
Net Revenue	2,499,125,326		-		14,252,082		29,156,246		-		(59,690,756)		2,482,842,898	
Income from main operations	93,187,276		-		4,281,278		6,516,751		-		-		103,985,305	

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

27) FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND FAIR VALUE

Fair value

The fair value represents the price that could be received as a result of selling an asset or that could be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that a transaction between the asset or a liability transfer takes place that takes place either:

- In the principal market for assets or liabilities, or
- In the absence of a primary market, in the most advantageous market for the assets or liabilities.

The fair value measurement of a non-financial asset takes into account the ability of market participants to achieve economic benefits by using the asset in the best possible way and the highest possible interest, or by selling it to another market participant who will use the asset in the best way and with the highest possible interest.

Fair values are classified into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

First level: the quoted market prices in active markets for the same financial instruments.

Second level: Valuation techniques that depend on inputs that affect the fair value and can be directly or indirectly observable in the market.

Third level: Valuation techniques that depend on inputs that affect the fair value and that cannot be directly or indirectly observed in the market.

As of December 31, 2020

	<u>First level</u>	<u>Second level</u>	<u>Third level</u>	<u>Total</u>
Investments through other comprehensive income	2,066,783	151,716,003	125,000	153,907,786
Investments at fair value through profit or loss	275,766	-	-	275,766
	<u>2,342,549</u>	<u>151,716,003</u>	<u>125,000</u>	<u>154,183,552</u>

As of December 31, 2019

	<u>First level</u>	<u>Second level</u>	<u>Third level</u>	<u>Total</u>
Investments through other comprehensive income	32,987,620	151,696,889	125,000	184,809,509
Investments at fair value through profit or loss	268,592	-	-	268,592
	<u>33,256,212</u>	<u>151,696,889</u>	<u>125,000</u>	<u>185,078,101</u>

The value shown in the third level reflects the cost of purchasing these assets and not their fair value due to the absence of an active market for them. The Group's management believes that the purchase cost is the most appropriate way to measure the fair value of these assets and that there is no impairment in their value.

Capital risk management

The Group manages its capital to ensure that the Group remains sustainable while obtaining the highest return through an optimum level of debt and equity balances. The group's overall strategy has not changed for the year 2019.

The group's capital structure includes the equity attributable to the group's shareholders, which consists of capital, reserves, fair value reserve and retained earnings as included in the consolidated statement of changes in shareholders' equity.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

27) FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND FAIR VALUE (CONTINUED)

Financial risk management

The group's activities may be exposed mainly to financial risks resulting from the following:

- Foreign currency risk management

The Group is not exposed to significant risks associated with changing foreign currencies and accordingly there is no need for effective management of this exposure.

- Interest rate risk management

Financial instruments in the consolidated statement of financial position are not subject to interest and interest rate risk.

- Other price risks

The Group is exposed to price risk arising from its equity investments in other companies. The group maintains equity investments in other companies for strategic purposes and is not intended to be traded, and the group does not actively trade in these investments.

- Credit risk management

Credit risk is represented in the failure of one of the parties to a financial instrument contract to fulfill its contractual obligations, which leads to the group incurring financial losses. The group is exposed to credit risk on its bank balances and receivables as follows:

	2020	2019
	SR	SR
Cash and cash equivalents	104,284,916	65,018,456
Accounts receivable, net	125,794,635	111,517,323
	<u>230,079,551</u>	<u>176,535,779</u>

- Liquidity risk management

Liquidity risk is the difficulty that an enterprise will encounter in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Liquidity risk is managed by monitoring it on a regular basis to ensure that the necessary funds are available to meet the future obligations of the group.

28) GEARING RATIO

The Group's Board of Directors reviews the capital structure periodically. As part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital and debt. The group's capital structure includes debt through borrowing. The group has not set a maximum debt rate, and the group does not expect an increase in the debt rate through new debt issues during the year 2020. The gearing ratio at the end of the year is as follows:

	2020	2019
	SR	SR
Loans	666,877,781	581,168,919
Cash and cash equivalents	(104,284,916)	(65,018,456)
Net debt	562,592,865	516,150,463
Shareholders' equity	676,049,996	722,641,462
Net debt / equity	<u>83.2%</u>	<u>71.4%</u>

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

29) EARNINGS PER SHARE

Basic earnings per share from net profit for the year is calculated by dividing the net profit for the year by the weighted average number of shares outstanding at the end of the year of 60 million shares. Earnings per share from main operations is calculated by dividing the net profit for the year from main operations for the year by the weighted average number of shares outstanding at the end of the year of 60 million shares.

30) CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group has capital commitments related to the construction of property, machinery and equipment as of December 31, 2020, in an amount of 13 million Saudi riyals (2019: 8.5 million Saudi riyals).

The Group has contingent liabilities relating to bank guarantees as of December 31, 2020, amounting to SR 429.1 million (2019: SR 284.16 million).

There are some cases brought against the group during the normal business cycle, and they are currently being litigated, but the final outcome of these cases cannot be determined with certainty. The Group's management does not expect that the results of these issues will be material in the consolidated financial statements.

31) ADJUSTING ERRORS

The management discovered some errors during the year 2019 in the lifetime of the right to use the assets leased from the state that were not properly handled by the records. Accordingly, the consolidated financial statements for the year ending on December 31, 2019 were amended in line with the International Financial Reporting Standard adopted in the Kingdom of Saudi Arabia 16 The following is a summary of these amendments. This change was applied retrospectively. The effect on the amounts included in the consolidated statement of financial position as on January 1, 2019 and December 31, 2019 and the consolidated statement of comprehensive income for the year ended December 31, 2019 is as follows:

(As of January 1, 2019)

Consolidated Statement of financial position

<u>Assets</u>	Balances before Adjustments	Adjustments	Balances after Adjustments
Right of use assets, net	611,693,989	67,540,002	679,233,991
Shareholders' equity and liabilities			
Retained earnings	(10,380,766)	(793,205)	(11,173,971)
Lease liabilities – Non current portion	591,419,531	71,849,748	663,269,279
Lease liabilities – Current portion	33,306,670	(3,516,541)	29,790,129

(As of December 31, 2019)

Consolidated Statement of financial position

<u>Assets</u>	Balances before Adjustments	Adjustments	Balances after Adjustments
Right of use assets, net	719,926,534	68,890,785	788,817,319
Shareholders' equity and liabilities			
Retained earnings	69,057,671	(2,878,335)	66,179,336
Statutory reserve	55,540,389	921,737	56,462,126
Lease liabilities – Non current portion	683,663,542	74,988,100	758,651,642
Lease liabilities – Current portion	63,425,152	(4,140,718)	59,284,434

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

31) ADJUSTING ERRORS (CONTINUED)

As of December 31, 2019)

Consolidated Statement of comprehensive income

	Balances before Adjustments	Adjustments	Balances after Adjustments
Cost of revenue	(2,326,245,161)	1,997,992	(2,324,247,169)
Financing charges	(33,242,357)	(3,161,385)	(36,403,742)
Net profit for the year	121,810,982	(1,163,393)	120,647,589

32) SIGNIFICANT EVENTS

• On October 01, 2019, the company received a notification from the National Committee for Gas Station Companies (one of the committees of the Council of Saudi Chambers) stating that the Ministry of Energy agreed to increase the profit margin for fuel stations and service centers of companies that obtained a qualification certificate from the Ministry of Municipal and Rural Affairs, so that the new profit margin becomes 15 halala for gasoline instead of 9 halalas per liter and 5 halalas for diesel instead of 3.5 halalas per liter), without affecting the retail prices of the stations on the final consumer.

On February 1, 2020, the company signed the new agreement with the Saudi Arabian Oil Company (Saudi Aramco), which stipulates the new profit margin. Accordingly, the profit margin was changed retroactively from the date of August 23, 2018 until January 31, 2020, and the company's management committed to the requirements of Saudi Aramco to limit the quantities to which it applies due to the increase in the margin and to provide Saudi Aramco with the statements to which the effect applies and the company is still awaiting approval. The quantities and statements sent.

On May 1, 2020, the company received a notice from the Saudi Arabian Oil Company (Saudi Aramco) stating the value of the retroactive effect owed to the company, amounting to 112.4. One million riyals, which represents the company's receivables from the retroactive effect for the period from August 23, 2018 to January 31, 2020, according to what has been proven in the annual consolidated financial statements for the year ended December 31, 2019 AD.

The amount of profit margin for the fuel stations for the year ending on 31 December 2020 amounted to 65,469,468 Saudi riyals, and this has been affected by the cost of revenue.

• With reference to the current events of the COVID-19 pandemic and the precautionary measures taken by the official authorities, including the curfew around the clock, which had some negative impact on the company's business. Since the beginning of the crisis, the company's management has been continuously following up on developments and taking the necessary measures and procedures to confront that crisis and reduce its effects on the company and its business, including the support provided by the state to companies to counter those effects. Whereas the group of companies excluded from the ban decision due to the company selling a strategic commodity and providing logistical services represented in the transportation of fuels and dry materials, and accordingly, the company's business continues during the pandemic period, and the company has also verified the existence of any adjustments and changes in provisions, estimates and risk management that must be taken and disclosed. Reported in the condensed consolidated financial statements. The following are the key assumptions about the sources of major future estimates and others that may have a significant risk of causing material adjustments to the condensed consolidated financial statements.

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

32) SIGNIFICANT EVENTS (CONTINUED)

- Impairment of non-financial assets

The Group verified the existence of any indications of impairment in non-financial assets and any material uncertainties regarding property, equipment and right-to-use assets resulting from any change in the period of the lease contracts, and concluded that there is no material impact of the Covid-19 epidemic regarding property. As for the original right of use in terms of reducing the rent during the quarantine period, the company made letters to the lessors and took their agreement to reduce the rent value during the quarantine period. The effect of a reduction in the income statement of 31,867,634 Saudi riyals was recorded in the income statement according to the effect of amending the application of the International Financial Reporting Standard No. 16 "Leases" in response to the impacts of COVID-19 on tenants.

- Expected credit losses and impairment of financial assets

The group has conducted a study on the credit position of all tenants and has applied additional discretionary allocations to existing models for expected credit losses by applying probability-weighted scenarios on the relevant macroeconomic factors related to the economic climate of the market in which it carries out its activities, resulting in an increase in the provision for expected credit losses of 20,947,427 SR).

- Contingent liabilities and liabilities

The Group assessed the impact of the disruption of any operational activities, including any contractual challenges, changes in business and commercial relationships between customers and suppliers, as well as a review of the potential increase in potential liabilities and liabilities, and no problems were observed.

- The principle of continuity

The Group has assessed its ability to continue as a going concern under current economic conditions and all available information about future risks and uncertainties. Forecasts have been prepared regarding the future performance of the group, capital and liquidity. Despite the aggravating impact of the Kurna pandemic, at the present time, expectations indicate that the Group has sufficient resources to continue to carry out its operations and as a result it has not been significantly affected by its position regarding the continuity principle since 2019 as it has prepared these interim condensed consolidated financial statements. Consistent with the basis of the continuity principle.

Otherwise, management believes that there will be no significant subsequent events, after the date of the financial statements and until the issuance of these financial statements that would require modification or disclosure.

33) COMPARATIVE FIGURES

The management has reclassified some of the comparative figures in line with the current year figures in order to enhance the comparability of the information and to be more suitable for users of the consolidated financial statements, indicating them as follows:

As of December 31, 2019

The effect of reclassification

Statement of financial position	Balance before Re-classification	Re-classification	Balance after Re-classification
Property and equipment	1,096,649,408	(7,982,621)	1,088,666,787
stock	49,475,771	7,982,621	57,458,392
Intangible assets, net	9,669,495	(4,308,993)	5,390,502
Fame	-	4,308,993	4,308,993
Accounts receivable, prepayments and other assets, net	274,337,333	(2,345,737)	271,991,596
Leasing obligations - current portion	(53,137,968)	(10,287,184)	(63,425,152)
Accounts payable, accrued expenses and other liabilities	(230,875,052)	12,632,921	(218,243,131)

34) Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on 12 Shaaban 1442H (25 March 2021).