

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

AND REPORT REVIEW FOR THE THREE MONTHS PERIOD
ENDED MARCH 31, 2021



Crowe

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

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

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**REPORT ON REVIEW OF CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

The Shareholders

Saudi automotive services co. (SASCO)

(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of **saudi automotive services co. (SASCO) (the "Company") and its subsidiaries (the "Group")** as at 31 March 2021, and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.



**AlAzem & AlSudairy, Al Shaikh & Partners
Certified Public Accountants**



**Abdullah M. Al Azem
License No. 335**

24 Ramadan 1442H (May 6, 2021)
Riyadh, Kingdom of Saudi Arabia

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License No. 335

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)**(A Saudi Joint Stock Company)****CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

AS AT MARCH 31, 2021

(All amounts in Saudi Riyals)

	Note	31 March 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
NON- CURRENT ASSETS			
Property, plant and equipment, net		1,193,644,950	1,186,751,411
Good will		4,308,993	4,308,993
Intangible assets, net		5,750,891	6,010,304
Projects under progress		96,192,281	65,744,738
Investments at fair value through other comprehensive income	7	187,597,270	186,661,451
Right of use assets, net	8	1,240,791,783	1,188,763,013
TOTAL NON-CURRENT ASSETS		2,728,286,168	2,638,239,910
CURRENT ASSETS			
Inventory, net		52,072,109	42,171,818
Account receivable, Prepaid expense and other assets, net		195,778,806	201,641,811
Investments at fair value through profit or loss		20,302,250	275,766
Cash and cash equivalents		81,630,177	104,284,916
TOTAL CURRENT ASSETS		349,783,342	348,374,311
TOTAL ASSETS		3,078,069,510	2,986,614,221
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	1	600,000,000	600,000,000
Statutory reserve		60,474,991	60,474,991
Retained earnings		27,586,440	15,575,005
Accumulated changes for investments at fair value		129,635,553	128,699,734
TOTAL SHAREHOLDERS' EQUITY		817,696,984	804,749,730
LIABILITIES			
NON- CURRENT LIABILITIES			
Murabahat Financing & long term loans		528,694,955	532,475,838
Lease Liabilities – non current portion	8	1,157,959,236	1,105,697,343
Employees' defined benefits obligations		19,412,961	17,854,415
TOTAL NON-CURRENT LIABILITIES		1,706,067,152	1,656,027,596
CURRENT LIABILITIES			
Murabahat Financing & short term loans		89,076,950	99,406,444
Current portion of murabahat & long term loans		48,248,250	34,995,499
Dividends payable		45,608,058	45,613,389
Accounts payables, accrued expenses and other liabilities		256,204,527	239,526,846
Lease Liabilities – current portion	8	109,403,649	100,708,904
Zakat provision		5,763,940	5,585,813
TOTAL CURRENT LIABILITIES		554,305,374	525,836,895
TOTAL LIABILITIES		2,260,372,526	2,181,864,491
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,078,069,510	2,986,614,221

The accompanying from (1) to (13) are integrated part of these condensed consolidated interim financial statements.

Islam khairi

Chief Financial Officer

Riyadh Bin Saleh Al malik

Chief executive Officer

Sultan Bin mohammad al-hudaithi

Vice chairman and managing directors

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


CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
(All amounts in Saudi Riyals)

	<i>For the three months period ended 31 March 2021 (Unaudited)</i>	<i>For the three months period ended 31 March 2020 (Unaudited)</i>
<i>Note</i>		
Revenues	750,541,115	641,066,302
Cost of revenues	(712,887,872)	(610,748,981)
GROSS PROFIT	37,653,243	30,317,321
Selling and marketing expenses	(567,131)	(554,877)
General and Administrative expenses	(13,559,544)	(12,634,772)
NET PROFIT FOR THE PERIOD FROM MAIN OPERATIONS	23,526,568	17,127,672
Financing charges	(11,117,895)	(8,918,660)
Un-realized gain on Investments at fair value through profit or loss	26,484	-
Realized gain on Investments at fair value through profit or loss	270,416	-
Dividends from investments at fair value through other comprehensive income	329,221	69,084
Other (expenses) income, net	(151,276)	776,054
NET INCOME FOR THE PERIOD BEFORE ZAKAT	12,883,518	9,054,150
Zakat	(872,083)	(931,251)
NET INCOME FOR THE PERIOD	12,011,435	8,122,899
OTHER COMPREHENSIVE INCOME:		
ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIOD:		
Net change in fair value of Investments measured at fair value through other comprehensive income	935,819	(4,772,685)
TOTAL COMPREHENSIVE INCOME	12,947,254	3,350,214
Earnings per share:	11	
Earnings per share from profit for the period from main operations	0,39	0,29
Net income for the period	0,14	0,20

The accompanying from (1) to (13) are integrated part of these condensed consolidated interim financial statements.


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Chief executive Officer


Sultan Bin mohammad al-hudaithi
Vice chairman and managing directors

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021

(All amounts in Saudi Riyals)

	<i>Share Capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Accumulated changes for investments at fair value</i>	<i>Total</i>
Balance at 1 January 2020	600,000,000	55,540,389	69,057,671	126,847,800	851,445,860
Net profit for the year			8,122,899	-	8,122,899
Other comprehensive loss	-	-		(4,772,685)	(4,772,685)
Balance at 31 March 2020 (Unaudited)	600,000,000	55,540,389	77,180,570	122,075,115	854,796,074
Balance at 1 January 2021	600,000,000	60,474,991	15,575,005	128,699,734	804,749,730
Net profit for the year			12,011,435	-	12,011,435
Other comprehensive income	-	-	-	935,819	935,819
Balance at 31 March 2021(Unaudited)	600,000,000	60,474,991	27,586,440	129,635,553	817,696,984

The accompanying from (1) to (13) are integrated part of these condensed consolidated interim financial statements.


Islam khairi

Chief Financial Officer


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Chief executive Officer


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Vice chairman and managing directors

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021

(All amounts in Saudi Riyals)

	<i>For the three months' period ended 31 March 2021</i>	<i>For the three months' period ended 31 March 2020</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	SR	SR
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income for the period before zakat	12,883,518	9,054,150
Adjustment for reconciling net profit for the year to net cash provided by operating activities:		
Depreciation of property, plant and equipment	15,153,389	12,898,109
Depreciation of right of use asset	25,639,656	19,505,236
Amortization of intangible assets	315,064	508,402
Charged from provision for custom claims	133,416	148,552
Un-realized gain on Investments at fair value through profit or loss	(26,484)	-
Financing charges	11,117,895	8,918,660
Charged from employees' defined benefits obligations	1,539,029	2,020,597
(Gain) /Loss on sale of property, plant and equipment	97,395	(18,767)
	66,852,878	53,034,939
Changes in operating assets and liabilities		
Account Receivable, Prepaid expense and other assets	5,863,006	(13,775,072)
Inventory	(9,900,291)	(3,868,787)
Accounts payables, accrued expenses and other liabilities	16,544,267	(53,055,012)
Financing charges paid	(693,956)	-
Estimated zakat paid	(11,117,895)	(1,753,419)
Employees' defined benefits obligations paid	19,516	(218,030)
Net cash provided by (used in) operating activities	67,567,525	(19,635,381)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Additions to property, plant and equipment	(22,194,324)	(6,472,298)
purchase of investments at fair value through profit or loss	(20,000,000)	-
Proceed from sale of property, plant and equipment	50,000	200,500
Additions to capital work in progress	(30,447,545)	(17,224,590)
Additions to intangible assets	(55,651)	(363,713)
Net cash used in investing activities	(72,647,520)	(23,860,101)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net change in murabahat & loans	(857,626)	68,370,932
Lease liabilities	(16,711,787)	(46,386,506)
Dividends paid	(5,331)	(64,692)
Net cash (used in) provided by financing activities	(17,574,744)	21,919,734
Net changes in cash and cash equivalents	(22,654,739)	(21,575,748)
Cash and cash equivalents balances, beginning of the period	104,284,916	65,018,456
cash and cash equivalents balances, end of period	81,630,177	43,442,708
<u>Non cash item</u>		
Transferred from capital work in progress to property, plant and equipment	-	16,318,002
Un-realized gain from re-measurement of investments at fair value through profit or loss	935,819	4,772,685

The accompanying from (1) to (13) are integrated part of these condensed consolidated interim financial statements.

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Chief Financial Officer

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Vice chairman and managing directors

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021

(All amounts in Saudi Riyals)

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 interim financial statements as of march 31, 2021 AD include the interim 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 works.	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 property company	Notarization of lease contracts	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%

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021

(All amounts in Saudi Riyals)

1) ORGANISATION AND ACTIVITIES (CONTINUED)

F- The accompanying consolidated interim 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	1010671614	Branch of the Saudi Automotive Services Company (SASCO)	Riyadh
2	1010671615	Branch of the Saudi Automotive Services Company (SASCO)	Riyadh
3	1010681876	Branch of the Saudi Automotive Services Company (SASCO)	Riyadh
4	1010950315	Branch of the Saudi Automotive Services Company (SASCO)	Riyadh
5	1128184243	Branch of the Saudi Automotive Services Company (SASCO)	Onaizah
6	1131306676	Branch of the Saudi Automotive Services Company (SASCO)	Buraydah
7	2031100039	Branch of the Saudi Automotive Services Company (SASCO)	Al-ahsa
8	2050093628	Branch of the Saudi Automotive Services Company (SASCO)	Dammam
9	2055123121	Branch of the Saudi Automotive Services Company (SASCO)	Jubail
10	2511108346	Branch of the Saudi Automotive Services Company (SASCO)	Hafar Al Batin
11	3550122825	Branch of the Saudi Automotive Services Company (SASCO)	Tabuk
12	4030254775	Branch of the Saudi Automotive Services Company (SASCO)	Jaddah
13	4030308874	Branch of the Saudi Automotive Services Company (SASCO)	Jaddah
14	4031216803	Branch of the Saudi Automotive Services Company (SASCO)	Macca
15	4032229606	Branch of the Saudi Automotive Services Company (SASCO)	taif
16	4650202976	Branch of the Saudi Automotive Services Company (SASCO)	Madina El Monawara
17	5850121385	Branch of the Saudi Automotive Services Company (SASCO)	abha
18	5900126408	Branch of the Saudi Automotive Services Company (SASCO)	Jizan
19	1010682929	Sasco Palm Branch Company	Riyadh
20	2050112261	Sasco Palm Branch Company	Dammam
21	2055025642	Sasco Palm Branch Company	Jubail
22	4030370735	Sasco Palm Branch Company	Jaddah
23	4031233620	Sasco Palm Branch Company	macca
24	4032239487	Sasco Palm Branch Company	taif
25	4628100065	Sasco Palm Branch Company	Madina El Monawara
26	5850125954	Sasco Palm Branch Company	abha
27	1011012857	Branch of Zaiti Petroleum Services Company	Al-kharj
28	1128010283	Branch of Zaiti Petroleum Services Company	Onaizah
29	1131030559	Branch of Zaiti Petroleum Services Company	Buraydah
30	5850029530	Branch of Zaiti Petroleum Services Company	abha
31	2031102449	Branch of Waha Sasco Company	Al-ahsa

SAUDI AUTOMOTIVE SERVICES CO. (SASCO)
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021

(All amounts in Saudi Riyals)

2) BASIS FOR PREPARING CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2-1 Basis of measurement

These interim 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, 2017, 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 204,522,032 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 interim financial statements have been prepared in accordance with the going concern principle.

2-2 Preparing the consolidated interim financial statements

The interim 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.

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

3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are in accordance with the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and are the same policies applied in the company's annual interim financial statements for the year ended December 31, 2020.

The main accounting policies applied in preparing these condensed consolidated interim financial statements have been applied consistently to all periods presented.

No new standards have been issued, however, a number of amendments to the standards are in effect as of January 1, 2021, which have been explained in the company's annual financial statements, but have no material impact on the Company's interim condensed financial statements.

4) BASIS FOR CONSOLIDATING

These consolidated interim 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 interim 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)
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
(All amounts in Saudi Riyals)

5) SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the Group:

Use of estimates and judgments

The preparation of condensed consolidated interim financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant estimates made by the management when applying the company's accounting policies and the significant sources of uncertainties in the estimates were similar to those shown in the last annual financial statements.

Property and equipment

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.

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.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are aligned with the expected economic benefits from property, machinery and equipment. During 2017, the group chose the cost model for recording property, machinery and equipment in accordance with the Capital Market Authority's decision dated 01/12/1438H corresponding to 10/12/2016 which required the joint stock companies listed on the financial market to use the cost model and the announcement from the Capital Market Authority during the year 2020 continues to use the cost model option to measure property, plant, equipment and real estate investments for fiscal years beginning before the year 2022.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021
(All amounts in Saudi Riyals)

5) SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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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.

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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.

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5) SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

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.

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.

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

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5) SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- 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.

6) 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:

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6) SEGMENTAL INFORMATION (CONTINUED)

	<i>Retailing and operation sector</i>	<i>Investments sector</i>	<i>Saudi automobile & touring association sector</i>	<i>Transport fleet services sector</i>	<i>Franchise sector SASCO</i>	<i>Joint assets and liabilities sector</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<i>As of 31 March 2020 ((Unaudited))</i>							
Total assets	3,654,325,908	339,426,751	23,783,611	55,107,315	405,884	(994,979,959)	3,078,069,510
Total liabilities	2,879,153,890	-	7,035,141	15,654,390	-	(641,470,896)	2,260,372,525
Net Revenue	753,136,274	-	1,421,501	43,761,854	-	(47,778,514)	750,541,115
Income from main operations	21,697,947	-	(153,868)	1,982,489	-	-	23,526,568

<i>As of 31 March 2021 ((Unaudited))</i>							
Total assets	2,831,291,516	332,312,294	37,252,360	39,174,277	437,925	(684,455,011)	2,556,013,361
Total liabilities	2,177,159,457	5,455	17,683,731	5,659,775	17,041	(499,308,172)	1,701,217,287
Net Revenue	701,847,117	-	1,626,102	7,661,029	-	(70,067,946)	641,066,302
Income from main operations	29,270,464	-	(197,346)	1,244,203	-	-	30,317,321

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7) INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

A- This item consists of the following:

	<i>31 March 2021</i>	<i>31 December 2020</i>
	<u>SR</u>	<u>SR</u>
Investments at fair value through other comprehensive income in shares and shares of non-public traded companies - B	153,907,786	153,907,786
Investments at fair value through other comprehensive income in shares and shares of public traded companies - C	33,689,484	32,753,665
	<u>187,597,270</u>	<u>186,661,451</u>

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 (2020: 1,186,208,000 Saudi riyals), the National Tourism Company at an amount of 574,106,488 Saudi riyals (2020: 574,106,488 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 March 31, 2021:

	<i>Group share</i>	<i>Valuation value</i>	<i>The group's share of the cost of the purchase</i>	<i>The group's share at fair value</i>	<i>Profits / (Losses) Revaluation</i>
		<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
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	-
		<u>1,760,314,488</u>	<u>28,015,500</u>	<u>153,907,786</u>	<u>125,892,286</u>

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7) INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)**B- Investments at fair value through other comprehensive income in shares and shares of non-public traded companies (Continued)**

As on December 31, 2020:

	<i>Group share</i>	<i>Valuation value SR</i>	<i>The group's share of the cost of the purchase SR</i>	<i>The group's share at fair value SR</i>	<i>Profits / (Losses) Revaluation SR</i>
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

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 33,689,484 riyals. Saudi.

8) 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:

	<i>31 March 2021 SR</i>	<i>31 December 2020 SR</i>
Cost		
As at 1 January (adjusted)	1,516,979,153	1,040,100,916
Additions during the period / year	78,131,416	519,150,881
Disposals during the period / year	(462,990)	(42,272,644)
Balance at the end of the period / year	1,594,647,579	1,516,979,153
Accumulated depreciation		
As at 1 January (adjusted)	328,216,140	251,283,597
Charged during the period / year	25,639,656	89,253,842
Disposals during the period / year	-	(12,321,299)
Balance at the end of the period / year	353,855,796	328,216,140
Net book value	1,240,791,783	1,188,763,013

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

	<i>31 March 2021 SR</i>	<i>31 December 2020 SR</i>
lease liabilities		
Current portion	109,403,649	100,708,904
Non-current portion	1,157,959,236	1,105,697,343
Total lease liabilities	1,267,362,885	1,206,406,247

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9) 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 March 31, 2021	First level	Second level	Third level	Total
Investments through other comprehensive income	33,689,484	153,782,786	125,000	187,597,395
Investments at fair value through profit or loss	20,302,250	-	-	20,302,250
	<u>53,991,734</u>	<u>153,782,786</u>	<u>125,000</u>	<u>207,899,645</u>
As of December 31, 2020	First level	Second level	Third level	Total
Investments through other comprehensive income	32,753,665	153,782,786	125,000	186,661,576
Investments at fair value through profit or loss	275,766	-	-	275,766
	<u>2,342,549</u>	<u>153,782,786</u>	<u>125,000</u>	<u>186,937,342</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 2020.

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.

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9) 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

- 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.

10) UPDATE ON COVID 19

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 interim financial statements. The group conducts follow-up and monitoring of developments about Covid 19, although the administration at this time is not aware of any expected factors that may change the impact of the epidemic on the group's operations during or after 2021.

11) 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.

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12) CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group has capital commitments related to the construction of property, machinery and equipment as of March 31, 2021, in an amount of 13 million Saudi riyals (2020: 13 million Saudi riyals).

The Group has contingent liabilities relating to bank guarantees as of March 31, 2021, amounting to SR 428.1 million (2020: SR 429.1 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 interim financial statements.

13) APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the Board of Directors on 24 Ramadan 1442H (corresponding to May 6, 2021).