

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017 (UNAUDITED)
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017 (UNAUDITED)

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Report on review of interim financial information

To the shareholders of Al Tayseer Arabian Company:
(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Al Tayseer Arabian Company as of March 31, 2017 and the related condensed statements of comprehensive loss, changes in equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") and Saudi Arabian Monetary Authority's ("SAMA") guidance on accounting for zakat and income taxes. Our responsibility is to express a conclusion on this condensed interim financial information 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", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34 and SAMA's guidance on accounting for zakat and income taxes.

PricewaterhouseCoopers

A blue ink signature, appearing to read "Omar M. Al Sagga", written over the PricewaterhouseCoopers text.

Omar M. Al Sagga
License Number 369

May 16, 2017

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at March 31, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Assets			
Current assets			
Cash and cash equivalents	3	12,657	5,302
Net investment in finance leases - current portion	4	348,643	439,318
Prepayments and other receivables	6	62,885	60,164
		<u>424,185</u>	<u>504,784</u>
Non-current assets			
Long term deposit	7	18,750	-
Net investment in finance leases - non-current portion	4	414,457	397,536
Property and equipment		11,246	10,320
		<u>444,453</u>	<u>407,856</u>
Total assets		<u>868,638</u>	<u>912,640</u>
Liabilities			
Current liabilities			
Accounts payable		21,116	14,600
Accrued and other liabilities		4,569	12,987
Current maturity of long term borrowings	7	30,554	8,351
Due to related parties- current portion	5	92,303	378,727
Zakat payable	8	6,964	6,964
		<u>155,506</u>	<u>421,629</u>
Non-current liabilities			
Long term borrowings	7	154,858	25,054
Due to related parties- non-current portion	5	121,383	-
Employee termination benefits		9,378	9,278
		<u>285,619</u>	<u>34,332</u>
Total liabilities		<u>441,125</u>	<u>455,961</u>
Shareholders' equity			
Share capital		400,000	400,000
Statutory reserve		6,294	6,294
Retained earnings		21,219	50,385
Total shareholders' equity		<u>427,513</u>	<u>456,679</u>
Total liabilities and shareholders' equity		<u>868,638</u>	<u>912,640</u>

The accompanying notes from 1 to 11 form an integral part of these condensed interim financial information.

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF COMPREHENSIVE LOSS
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-month period ended March 31,	
		2017 (Unaudited)	2016 (Unaudited) restated
Income from finance leases, net		23,461	31,386
Expenses			
Provision for impairment, net	4,6	(28,789)	(3,136)
Insurance and other cost of financed vehicles		(9,275)	(14,682)
Selling and marketing		(6,961)	(7,686)
General and administrative		(5,316)	(7,388)
Net operating loss		(26,880)	(1,506)
Other income / (expenses)			
Financial charges		(2,357)	(3,972)
Other (expenses) / income, net		71	271
Loss for the period		(29,166)	(5,207)
Other comprehensive income		-	-
Total comprehensive loss		(29,166)	(5,207)

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AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN EQUITY
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Total
December 31, 2016 - audited		400,000	6,294	50,385	456,679
Total comprehensive loss for the period		-	-	(29,166)	(29,166)
Zakat charge for the period		-	-	-	-
March 31, 2017 - unaudited		400,000	6,294	21,219	427,513
December 31, 2015 - audited		400,000	6,294	56,653	462,947
Total comprehensive loss for the period as restated	1,11	-	-	(5,207)	(5,207)
Zakat charge for the period as restated	1,11	-	-	(351)	(351)
March 31, 2016 - unaudited		400,000	6,294	51,095	457,389

The accompanying notes from 1 to 11 form an integral part of these condensed interim financial information.

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals thousands unless otherwise stated)

		For the three-month period ended March 31,	
		2017	2016
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Loss for the period		(29,166)	(5,207)
<u>Adjustments for non-cash items</u>			
Provision for impairment, net of write offs	4,6	28,789	3,136
Depreciation		139	89
Financial charges		2,357	3,972
<u>Changes in working capital</u>			
Net investment in finance leases		45,120	42,851
Prepayments and other receivables		(2,876)	(1,162)
Accounts payable		6,516	7,203
Accrued and other liabilities		(8,418)	(1,052)
Finance cost paid		(2,357)	(3,972)
Zakat paid		-	(12,399)
Employee termination benefits		100	(17)
Net cash generated from operating activities		40,204	33,442
Cash flows from investing activity			
Purchase of property and equipment		(1,065)	(203)
Cash flows from financing activities			
Due to related parties		(165,041)	(33,089)
Long term borrowing obtained		154,095	-
Long term deposit		(18,750)	-
Repayments of long term borrowing		(2,088)	-
Net cash generated from (utilized in) financing activities		31,784	(33,089)
Net increase in cash and cash equivalents		7,355	150
Cash and cash equivalents at beginning of the period		5,302	13
Cash and cash equivalents at end of period		12,657	163

The accompanying notes from 1 to 11 form an integral part of these condensed interim financial information.

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the condensed interim financial information
For the three-month period ended March 31, 2017 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General information

Al Tayseer Arabian Company (the "Company") is principally engaged in providing various types of automotive finance services to the retail and corporate sector in Saudi Arabia. The Company is part of Al Jomaih Group (the "Group") and effectively 100% owned by Al Jomaih Automotive Company ("AAC") which is ultimately owned by Al Jomaih Holding Company ("AJHC", "the Holding Company" or "the Group").

The Company is a closed joint stock company operating under Commercial Registration ("CR") No. 2051060381 issued in Riyadh on Jumad ul Akhira 11, 1436 H (March 31, 2015). The registered address of the Company is P.O. Box 224, King Abdullah Street, Khobar 31411, Kingdom of Saudi Arabia.

The Company holds an equity interest in Al Jomaih Beverages Limited Company ("ABC") which was formed during 2013, on behalf of the Holding company under trustee arrangements. Accordingly, such equity interest has not been recorded in the Company's books of accounts.

The Company also holds an equity interest in International Refreshments Company ("IRC") which was acquired during 2014, on behalf of ABC under trustee arrangements. Accordingly, such equity interest has not been recorded in the Company's books of accounts.

On April 1, 2015, the Ministry of Commerce and Investment approved the conversion of the Company to a Saudi Joint Stock Company. The Company is operating under license from the Saudi Arabian Monetary Authority ("SAMA") to transact automotive finance services.

These condensed interim financial information have been reviewed, not audited.

2. Basis of preparation

- 2.1** During 2017, SAMA issued a circular number 381000074519 dated 14 Rajab 1438H (April 11, 2017) ("Circular") and subsequent amendments through certain clarifications relating to the accounting for zakat and income taxes. The impact of these amendments is that zakat and income taxes are to be accrued on a quarterly basis and recognized in the condensed interim statement of changes in equity with a corresponding liability in the condensed interim statement of financial position.

Applying the above guidance, the condensed interim financial information of the Company as at and for the three-month period ended March 31, 2017 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and SAMA guidance on accounting for zakat and income taxes.

Until 2016, the condensed interim financial information of the Company were prepared in accordance with IAS 34. This change in framework resulted in a change in accounting policy for zakat and income taxes (as disclosed in Note 2.4) and the effects of this change are disclosed in note 11 to the condensed interim financial information.

- 2.2** The condensed interim financial information do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2016.

- 2.3** Except for the change in accounting policy as described below, the accounting and risk management policies used in the preparation of this condensed interim financial information are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2016. All financial assets and liabilities of the Company are categorized as held at amortized cost which reasonably approximate their fair value.

2.4 Accounting policies applied from January 1, 2017: Zakat and income taxes

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the Company is subject to zakat. As explained in Note 2.1, provision for zakat is charged to the statement of changes in equity. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Until 2016, zakat was charged to the statement of comprehensive loss as per the requirements of International Financial Reporting Standards ("IFRS"). Therefore, the condensed interim financial information have been restated and the effects of the above change are disclosed in Note 11 to the condensed interim financial information.

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For the three-month period ended March 31, 2017 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation - continued

2.5 New or amended standards and interpretations

The following new or amended standards are effective from January 1, 2017 and have no impact on the Company's condensed interim financial information:

<u>Standard</u>	<u>Description</u>
Amendments to IAS 1	Disclosure initiative
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations
IFRS 14	Regulatory deferral accounts
Amendments to IAS 16	Property, plant and equipment
Amendments to IFRS 10 and IAS 28	Investment entities: Applying the consolidation exception
Amendments to IAS 27	Equity method in separate financial statements
Amendments to IAS 38	Clarification of acceptable methods of amortization
Annual improvements 2014	

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing on or after March 31, 2017:

<u>Standard</u>	<u>Description</u>
Amendments to IAS 7	Statement of cash flows
Amendments to IFRS 4	Introduction of overlay approach and a deferral approach
Amendments to IAS 12	Deferred tax assets related to debt instruments
IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases
IAS 40	Investment property, relating to transfer of property
IFRIC 22	Foreign currency transaction and advance consideration

2.6 Use of judgments and estimates

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial information, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual financial statements as at and for the year ended December 31, 2016 except as follows.

During the 3 month period ended March 31, 2017, the Company has carried out a comprehensive review of the assumptions relating to the expected cash flows for lease receivables which were identified as being in default or delinquency. The review was initiated as peer group experience for comparable groups of financial assets was made available by the regulator, the Saudi Arabian Monetary Authority, ("SAMA"). As a result of that review the Company has identified that the expected cash flows from impaired lease receivables are significantly reduced from the expected cash flows using the assumptions for impaired lease receivables as at December 31, 2016. The impact on the net present value of the expected future cash flows from impaired lease receivables discounted at the original effective commission rate, arising out of the comprehensive review amounted to SAR28.6m and this has been charged to the statement of comprehensive loss in the 3 month period ended March 31, 2017.

The management of the Company consider the review of the assumptions relating to the expected cash flows to be a change in accounting estimate under IAS 8 "Accounting policies, changes in accounting estimates and errors" and in accordance with the application guidance of IAS 39 "Financial instruments: Recognition and measurement" as it relates to the requirement to regularly review the methodology and assumptions to reduce any differences between loss estimates and actual loss experience.

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3. Cash and cash equivalents

	March 31, 2017	December 31, 2016
	(Unaudited)	(Audited)
Cash at bank	12,223	4,892
Cash in hand	434	410
	12,657	5,302

4. Net investment in finance leases

4.1 Reconciliation between gross and net investment in finance leases is as follows:

	March 31, 2017	December 31, 2016
	(Unaudited)	(Audited)
Gross investment in finance leases	1,001,558	1,047,657
Unearned finance income	(164,352)	(165,331)
Present value of minimum lease payments receivable	837,206	882,326
Provision for impairment	(74,106)	(45,472)
Net investment in finance leases	763,100	836,854
Investment in finance leases -non-current portion	(414,457)	(397,536)
Investment in finance leases - current portion	348,643	439,318

4.2 The movement in impairment provision for finance leases is as follows:

	March 31, 2017	December 31, 2016
	(Unaudited)	(Audited)
Opening balance	45,472	28,197
Charge for the period, net (Note 2)	28,634	17,275
Closing balance	74,106	45,472

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5. Related party transactions and balances

The Company is a member of group of Companies which is directly or indirectly controlled by AJHC (collectively "related parties").

5.1 Significant transactions with related parties included in the condensed interim financial information are summarized below:

	March 31, 2017	March 31, 2016
	(Unaudited)	(Unaudited)
Shareholder-AAC		
Purchase of vehicles for leases from AAC	53,175	51,122
Payments made to AAC	299,876	6,839
Insurance costs paid on behalf of the Company by a Shareholder	-	506
Operating expenses paid on behalf of the Company by a Shareholder	-	3,512
Shared service costs charged by a Shareholder	1,201	3,266
Financial cost charged by a Shareholder	2,287	3,460
Key management personnel		
Key management compensation (represents Directors and Departments heads remuneration)	3,801	1,423

5.2 Due to related parties

	March 31, 2017	December 31, 2016
	(Unaudited)	(Audited)
AAC	61,957	378,727
AJHC	151,729	-
	<u>213,686</u>	<u>378,727</u>
	March 31, 2017	December 31, 2016
	(Unaudited)	(Audited)
Current		
- AAC	61,957	378,727
- AJHC	30,346	-
	<u>92,303</u>	<u>378,727</u>
Non- Current		
- AAC	-	-
- AJHC	121,383	-
	<u>213,686</u>	<u>378,727</u>

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6. Prepayments and other receivables

	March 31, 2017	December 31, 2016
	(Unaudited)	(Audited)
Prepaid insurance	2,735	5,655
Insurance claims receivable	50,034	46,559
Other	13,410	11,089
	66,179	63,303
Provisions for impairment	(3,294)	(3,139)
	<u>62,885</u>	<u>60,164</u>

Movement in provision for doubtful other receivables are as follows:

	March 31, 2017	December 31, 2016
	(Unaudited)	(Audited)
Opening balance	3,139	2,855
(Reversals)/additions, net	155	284
	<u>3,294</u>	<u>3,139</u>

7. Long term borrowings - secured

	March 31, 2017	December 31, 2016
	(Unaudited)	(Audited)
Long term borrowing	185,412	33,405
Less: current maturity shown under current liabilities	(30,554)	(8,351)
	<u>154,858</u>	<u>25,054</u>

During the year 2016, the Company entered into a Murabaha Financing Agreement with a commercial bank amounting to SR 187.5 million secured against lease receivables. The loan is repayable in 48 equal monthly installments. The loan is denominated in Saudi Riyals and bears financial charges based on prevailing market rates. The covenants of the borrowing facility requires the Company to maintain certain levels of financial condition, places limitations on dividends distribution, changes in shareholding structure and disposal of its assets.

As at March 31, 2016, the Company has also assigned lease receivables to the bank amounting to SR 231.2 million representing 125% of the loan principal drawn. The Company has also opened a deposit/cash margin account with the bank with an equivalent of 10% of the total loan utilized pledged in favour of the bank during the term of the loan agreement.

The loan is secured by a corporate guarantee from AAC in addition to joint and several guarantees signed by shareholders of the ultimate holding company.

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8. Provision for zakat

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Opening balance	6,964	34,318
Charged for the period/year to retained earnings (Notes 1, 11)	-	45
Reversal of provision related to prior years to retained earnings (Notes 1, 11)	-	(15,000)
Payments	-	(12,399)
Closing balance	6,964	6,964

Status of assessments:

There is no change in status of assessment as disclosed in the last audited financial statements for the year ended December 31, 2016.

9. Contingency and commitments

Contingency

The contingency related to zakat is disclosed in note 8 to these condensed interim financial information.

Commitments

There are no significant capital commitments as at the balance sheet date.

10. Date of authorization of issue

The accompanying condensed interim financial information were authorized for issue by the management on May 16, 2017.

11. Restatement due to change in accounting policy

The change in accounting policy for zakat and income taxes (as explained in Note 2.4) has the following impacts on the of the condensed interim statements of comprehensive loss and changes in equity:

For the three-month period ended March 31, 2016

	As previously stated	Effect of restatement	As restated
Statement of comprehensive income			
Provision of zakat charge	(351)	351	-
Loss for the period	(5,558)	351	(5,207)
Total comprehensive loss	(5,558)	351	(5,207)
Statement of changes in equity			
Total comprehensive loss	(5,558)	351	(5,207)
Provision of zakat charge	-	(351)	(351)

The above change in accounting policy did not have any effect on the statements of financial position as of December 31, 2016 and the condensed interim statement of cash flows for the three-month period ended March 31, 2016.