

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

CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019

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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, 2019 and the related condensed statements of comprehensive income, changes in shareholders' 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") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. 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 as modified by SAMA for the accounting of zakat and income tax.

PricewaterhouseCoopers

A blue ink signature of Khalid A. Mahdhar, consisting of stylized, overlapping loops and lines.

Khalid A. Mahdhar
License Number 368

May 7, 2019

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

	Note	For the three-month period ended	
		2019	March 31,
		(Unaudited)	2018 (Unaudited)
Income from finance leases, net		18,605	19,681
Expenses			
Provision for (reversal of) impairment, net	4.2, 6	(1,975)	11,975
Insurance and other cost of financed vehicles		(7,350)	(8,249)
General and administrative		(3,266)	(2,715)
Selling and marketing		(4,245)	(5,585)
Net operating income		1,769	15,107
Other (expenses) income			
Finance costs		(3,390)	(3,949)
Other income		1,000	880
Net (loss) profit for the period		(621)	12,038
Other comprehensive income		-	-
Total comprehensive (loss) income for the period		(621)	12,038

The accompanying notes from 1 to 9 form an integral part of this condensed interim financial information.

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

	Note	As at March 31, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Assets			
Non-current assets			
Right-of-use assets		6,456	-
Property and equipment		6,847	6,678
Intangible assets		5,606	5,724
Long-term deposit	7	18,750	18,750
Net investment in finance leases - non-current portion	4	312,379	271,363
		<u>350,038</u>	<u>302,515</u>
Current assets			
Prepayments and other receivables	6	31,331	31,243
Net investment in finance leases - current portion	4	274,455	302,200
Cash and cash equivalents	3	5,192	7,002
		<u>310,978</u>	<u>340,445</u>
Total assets		<u>661,016</u>	<u>642,960</u>
Liabilities and shareholders' equity			
Liabilities			
Non-current liabilities			
Long-term borrowings	7	44,787	56,506
Lease liabilities		5,325	-
Employee termination benefits		6,669	6,537
Due to related parties - non-current portion	5	30,000	30,000
		<u>86,781</u>	<u>93,043</u>
Current liabilities			
Current maturity of long-term borrowings	7	46,875	46,875
Due to related parties - current portion	5	151,222	135,241
Accounts payable		25,784	23,248
Accrued and other liabilities		19,184	13,617
Lease liabilities		855	-
Zakat payable	8	51,170	51,161
		<u>295,090</u>	<u>270,142</u>
Total liabilities		<u>381,871</u>	<u>363,185</u>
Shareholders' equity			
Share capital		400,000	400,000
Statutory reserve		6,294	6,294
Accumulated deficit		(127,149)	(126,519)
Total shareholders' equity		<u>279,145</u>	<u>279,775</u>
Total liabilities and shareholders' equity		<u>661,016</u>	<u>642,960</u>

The accompanying notes from 1 to 9 form an integral part of this condensed interim financial information.

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

	Note	Share capital	Statutory reserve	Accumulated deficit	Total
December 31, 2018 - audited		400,000	6,294	(126,519)	279,775
Net loss for the period		-	-	(621)	(621)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		-	-	(621)	(621)
Zakat charge for the period	8	-	-	(9)	(9)
March 31, 2019 - unaudited		400,000	6,294	(127,149)	279,145
December 31, 2017 - audited		400,000	6,294	(64,545)	341,749
Adjustment on adoption of IFRS 9	4	-	-	(37,669)	(37,669)
Balance at January 1, 2018		400,000	6,294	(102,214)	304,080
Net profit for the period		-	-	12,038	12,038
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	12,038	12,038
Zakat charge for the period		-	-	(3,471)	(3,471)
March 31, 2018 - unaudited		400,000	6,294	(93,647)	312,647

The accompanying notes from 1 to 9 form an integral part of this condensed interim financial information.

AL TAYSEER ARABIAN COMPANY
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CONDENSED INTERIM STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals thousands unless otherwise stated)

		For the three-month period ended March 31,	
		2019	2018
Note		(Unaudited)	(Unaudited)
Cash flows from operating activities			
	Net (loss) profit for the period	(621)	12,038
<u>Adjustments for:</u>			
	Allowance for expected credit losses on lease and other receivables	1,975	(11,975)
4.2, 6			
	Depreciation and amortization	576	2,919
	Finance costs	3,390	3,949
	Provision for employee termination benefits	236	81
<u>Changes in working capital</u>			
	Decrease (increase) in net investment in finance leases	(15,246)	49,220
	Increase (decrease) in prepayments and other receivables	(416)	14,491
	Increase (decrease) in accounts payable	2,536	(7,715)
	Increase in accrued and other liabilities	5,567	2,637
	Finance costs paid	(3,219)	(3,949)
	Employee termination benefits paid	(104)	(113)
	Net cash (outflow) inflow from operating activities	(5,326)	61,583
Cash flows from investing activity			
	Payments for purchase of property and equipment	(388)	(2,566)
Cash flows from financing activities			
	Due to related parties	15,981	(45,904)
	Long-term borrowings repaid	(11,719)	(11,719)
	Lease liabilities repaid	(358)	-
	Net cash inflow (outflow) from financing activities	3,904	(57,623)
	Net change in cash and cash equivalents	(1,810)	1,394
	Cash and cash equivalents at beginning of the period	7,002	6,399
	Cash and cash equivalents at end of the period	5,192	7,793
Non-cash operating, investing and financing activities:			
	Right-of-use assets recorded against lease liabilities	6,695	-
	Prepaid lease rentals adjusted against lease liabilities	328	-

The accompanying notes from 1 to 9 form an integral part of this 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, 2019 (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").

During 2018, the Company amended its By-laws to include finance services for consumer products and small and medium sized entities. The legal formalities for such changes were completed during the three-month period ended March 31, 2019. However, the Company has not entered into any contracts in respect of such services as of the date of authorization for issuance of this condensed interim financial information.

The Company is a closed joint stock company operating under commercial registration number 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.

This condensed interim financial information has been reviewed, not audited.

2. Basis of preparation

2.1 The condensed interim financial information of the Company as at March 31, 2019 and for the three-month period ended March 31, 2019 has been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as modified by the Saudi Arabian Monetary Authority ("SAMA"), for the accounting of zakat and income tax, which requires adoption of all International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA circular number 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax are to be accrued through shareholders' equity under retained earnings.

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, 2018.

2.3 The principal accounting policies applied in the preparation of this condensed interim financial information of the Company are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standard as set out below.

2.4 New and amended standards adopted by the Company

The Company has adopted IFRS 16 'Leases' ("IFRS 16"), the new standard, which became applicable for the current reporting period. The impact of the adoption of such standard and the new accounting policies are disclosed in note 2.5 below.

2.5 Transition to IFRS 16

a) Transition approach and impact

The Company has adopted IFRS 16 from January 1, 2019, using the modified retrospective method, and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in IFRS 16. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the condensed statement of financial position on January 1, 2019.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of January 1, 2019. The equal and opposite side of the lease liability calculated, is the Right-of-Use ("RoU") asset. Therefore, there is no adjustment against opening retained earnings as at the transition date i.e. January 1, 2019. Since interest rate implicit in such leases could not be determined, the Company's weighted average incremental borrowing rate of 4.65% was applied to the lease liabilities on January 1, 2019.

The change in accounting policy resulted in recognition of RoU assets and lease liabilities amounting to Saudi Riyals 6.7 million as of January 1, 2019.

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b) Change in accounting policy

Until 2018, all leases of the Company were assessed to be operating leases and payments made under such leases were charged to profit or loss on a straight-line basis over the period of the lease.

Starting January 1, 2019, the Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a RoU asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the condensed interim statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related RoU asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Extension options

Extension options are included in the Company's lease contracts. These terms are used to maximise operational flexibility in terms of managing contracts. The Company can exercise such extension option by providing adequate notice before the termination date of such lease in accordance with the terms of the contract.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The RoU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

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Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related RoU asset.

RoU assets are depreciated over the shorter period of lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the RoU asset reflects that the Company expects to exercise a purchase option, the related RoU asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The RoU assets are presented as a separate line in the condensed interim statement of financial position.

The Company applies IAS 36 "Impairment of Assets" to determine whether a RoU asset is impaired and accounts for any identified impairment loss.

c) RoU assets

The RoU assets and corresponding lease liabilities relate to office spaces for the Company across the Kingdom of Saudi Arabia.

d) Reconciliation of operating lease commitments disclosed as at December 31, 2018 and lease liability recognized as at January 1, 2019

	Saudi Riyals thousands
Operating lease commitments disclosed as at 31 December 2018	361
Add: adjustments as a result of a different treatment of extension options	7,400
Discounted using the lessee's incremental borrowing rate of at the date of initial Application	<u>(1,066)</u>
Lease liabilities recognized as at January 1, 2019	<u>6,695</u>
Of which are:	
Current lease liabilities	1,778
Non-current lease liabilities	<u>4,917</u>
	<u>6,695</u>

3. Cash and cash equivalents

	March 31, 2019	December 31, 2018
	(Unaudited)	(Audited)
Cash in hand	352	148
Cash at banks	<u>4,840</u>	<u>6,854</u>
	<u>5,192</u>	<u>7,002</u>

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4. Net investment in finance leases

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

	March 31, 2019	December 31, 2018
	(Unaudited)	(Audited)
Gross investment in finance leases	893,225	869,418
Unearned finance income	(177,474)	(168,913)
Present value of minimum lease payments receivable	715,751	700,505
Allowance for expected credit losses	(128,917)	(126,942)
Net investment in finance leases	586,834	573,563
Investment in finance leases - non-current portion	(312,379)	(271,363)
Investment in finance leases - current portion	274,455	302,200

4.2 The movement in allowance for expected credit losses on lease receivables is as follows:

	For the three- month period ended March 31, 2019	For the year ended December 31, 2018
	(Unaudited)	(Audited)
Opening balance	126,942	129,557
Charge for the period / year	1,975	2,629
Write-offs	-	(5,244)
Closing balance	128,917	126,942

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:

	For the three-month period ended March 31,	
	2019	2018
	(Unaudited)	(Unaudited)
Purchase of vehicles for leases from AAC	32,033	25,996
Shared service costs charged by AAC	641	731
Financial cost charged by AAC	1,120	794
Financial cost charged by AJHC	1,100	1,273
Key management personnel compensation		
Salaries and other employee benefits	1,422	612

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5.2 Due to related parties

	March 31, 2019	December 31, 2018
	(Unaudited)	(Audited)
AJHC	56,401	70,230
Less: non-current portion	(30,000)	(30,000)
	26,401	40,230
AAC - current portion	124,821	95,011
Total current portion	151,222	135,241

Amounts due to AAC are set off on daily basis based on the collections made by the AAC on behalf of the Company. These amounts bear financial charges at prevailing variable market rates.

Balance due to AJHC is repayable in equal quarterly installments up to 2020. These amounts bear financial charges at prevailing variable market rates. A receivable balance of Saudi Riyals 15.8 million has been offset from the current portion of the above balance as at March 31, 2019 (December 31, 2018: Saudi Riyals 11.9 million).

5.3 Due from related parties

	March 31, 2019	December 31, 2018
	(Unaudited)	(Audited)
Al Jomaih Bottling Plants Limited	919	857
Al Jomaih Equipment Company Limited	198	149
Al Jomaih Automotive AC Delco	197	175
Al Jomaih Rent-a-Car	137	-
Al Jomaih Tyres	87	70
	1,538	1,251

6. Prepayments and other receivables

	March 31, 2019	December 31, 2018
	(Unaudited)	(Audited)
Prepaid insurance	307	325
Insurance claims receivable	24,717	23,812
Due from related parties	1,538	1,251
Other	6,848	7,934
	33,410	33,322
Allowance for expected credit losses	(2,079)	(2,079)
	31,331	31,243

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Movement in allowance for expected credit losses on insurance claims and other receivables is as follows:

	For the three- month period ended March 31, 2019	For the year ended December 31, 2018
	(Unaudited)	(Audited)
Opening balance	2,079	5,402
Charge for the period / year	-	-
Write-offs	-	(3,323)
Closing balance	2,079	2,079

At March 31, 2019, the Company had net outstanding insurance claims receivable amounting to Saudi Riyals 18.7 million (December 31, 2018: Saudi Riyals 18.7 million) from an insurance service provider with which the Company has suspended its business activities. The Group is currently under negotiation for settlement of such amounts at the Group level and the balance is expected to be settled during 2019.

7. Long-term borrowings - secured

	March 31, 2019	December 31, 2018
	(Unaudited)	(Audited)
Long-term borrowings	91,662	103,381
Less: current maturity shown under current liabilities	(46,875)	(46,875)
	44,787	56,506

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

As at March 31, 2019, the Company has assigned lease receivables to the bank amounting to Saudi Riyals 114.4 million representing 125% of the outstanding loan balance as of March 31, 2019. 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 favor 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 Holding Company.

8. Provision for zakat

	For the three- month period ended March 31, 2019	For the year ended December 31, 2018
	(Unaudited)	(Audited)
Opening balance	51,161	37,278
Provision for the period / year	9	13,883
Closing balance	51,170	51,161

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Status of assessments

Until 2017, the Company's zakat declaration was filed at the consolidated level of the Group. The General Authority of Zakat and Tax (the "GAZT") has finalized the Group's zakat assessments for the years through 2015. For all periods starting from January 1, 2018 the Company will file a separate zakat return. The Company is currently in the process of filing its zakat return for the year 2018.

During the period ended March 31, 2019, GAZT has provided a revised formula for computation of zakat from the year 2019 and onwards for companies involved in finance lease activities. The Company has computed zakat charge for the current quarter based on such revised formula which has been recognized in the statement of changes in shareholders' equity in accordance with SAMA's guidance.

9. Date of authorization of issue

The accompanying condensed interim financial information was authorized for issuance by the Company's Board of Directors on May 7, 2019.