

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

CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017
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 AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2017

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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 September 30, 2017 and the related condensed statement of comprehensive loss for the three-month and nine-month periods then ended and the condensed statements of changes in equity and cash flows for the nine-month period ended September 30, 2017 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 the 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

Omar M. Al Sagga
License Number 369

October 31, 2017

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 September 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
Assets			
Current assets			
Cash and cash equivalents	3	6,595	5,302
Net investment in finance leases - current portion	4	355,483	439,318
Prepayments and other receivables	6	66,495	60,164
		<u>428,573</u>	<u>504,784</u>
Non-current assets			
Long term deposit	7	18,750	-
Net investment in finance leases - non-current portion	4	381,781	397,536
Property and equipment		11,655	10,320
		<u>412,186</u>	<u>407,856</u>
Total assets		<u>840,759</u>	<u>912,640</u>
Liabilities			
Current liabilities			
Accounts payable		19,916	14,600
Accrued and other liabilities		18,001	12,987
Current maturity of long term borrowings	7	46,875	8,351
Due to related parties - current portion	5	129,995	378,727
Zakat payable	8	6,964	6,964
		<u>221,751</u>	<u>421,629</u>
Non-current liabilities			
Long term borrowings	7	115,100	25,054
Due to related parties - non-current portion	5	80,000	-
Employee termination benefits		9,690	9,278
		<u>204,790</u>	<u>34,332</u>
Total liabilities		<u>426,541</u>	<u>455,961</u>
Shareholders' equity			
Share capital		400,000	400,000
Statutory reserve		6,294	6,294
Retained earnings		7,924	50,385
Total shareholders' equity		<u>414,218</u>	<u>456,679</u>
Total liabilities and shareholders' equity		<u>840,759</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)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS
(All amounts in Saudi Riyals thousands unless otherwise stated)

		For the three- month period ended September 30,		For the nine- month period ended September 30,	
	Note	2017	2016	2017	2016
		(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Income from finance leases, net		28,058	28,220	74,409	88,290
Expenses					
Provision for impairment	4.2, 6	(6,572)	(3,523)	(43,219)	(11,816)
Insurance and other cost of financed vehicles		(9,105)	(9,651)	(28,150)	(30,883)
Selling and marketing		(5,028)	(7,543)	(18,304)	(21,354)
General and administrative		(1,177)	(2,030)	(17,740)	(17,780)
Net operating income (loss)		6,176	5,473	(33,004)	6,457
Other (expenses) income					
Financial charges		(3,538)	(4,191)	(9,836)	(11,684)
Other income (expenses), net		139	(648)	379	(483)
Income (loss) for the period		2,777	634	(42,461)	(5,710)
Other comprehensive income		-	-	-	-
Total comprehensive income (loss)		2,777	634	(42,461)	(5,710)

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)
CONDENSED 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		-	-	(42,461)	(42,461)
Zakat charge for the period		-	-	-	-
September 30, 2017 - unaudited		400,000	6,294	7,924	414,218
December 31, 2015 - audited		400,000	6,294	56,653	462,947
Total comprehensive loss for the period, as restated	11	-	-	(5,710)	(5,710)
Zakat charge for the period, as restated	11	-	-	(1,860)	(1,860)
September 30, 2016 - unaudited		400,000	6,294	49,083	455,377

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

	Note	For the nine-month period ended September 30,	
		2017 (Unaudited)	2016 (Unaudited)
Cash flows from operating activities			
Loss for the period		(42,461)	(5,710)
<u>Adjustments for non-cash items</u>			
Provision for impairment	4.2, 6	43,219	11,816
Depreciation		721	299
Financial charges		9,836	11,684
<u>Changes in working capital</u>			
Net investment in finance leases		58,884	93,425
Prepayments and other receivables		(8,844)	(13,390)
Accounts payable		5,316	6,084
Accrued and other liabilities		5,014	(870)
Finance cost paid		(9,836)	(11,684)
Zakat paid		-	(12,399)
Employee termination benefits		412	102
Net cash generated from operating activities		<u>62,261</u>	<u>79,357</u>
Cash flows from investing activity			
Purchase of property and equipment		<u>(2,056)</u>	<u>(3,008)</u>
Cash flows from financing activities			
Due to related parties		(168,732)	(71,984)
Proceeds from long term borrowings		154,095	-
Repayments of long term borrowings		(25,525)	-
Long term deposit		<u>(18,750)</u>	<u>-</u>
Net cash utilized in financing activities		<u>(58,912)</u>	<u>(71,984)</u>
Net change in cash and cash equivalents		1,293	4,365
Cash and cash equivalents at beginning of the period		<u>5,302</u>	<u>13</u>
Cash and cash equivalents at end of the period		<u>6,595</u>	<u>4,378</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)
Notes to the condensed interim financial information
For the three-month and nine-month periods ended September 30, 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 Closed Joint Stock Company. The Company is operating under license from the Saudi Arabian Monetary Authority ("SAMA") to transact automotive finance services.

This condensed interim financial information has 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 nine-month period ended September 30, 2017 has 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 was 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 does not include all information and disclosures required in the annual audited financial statements and should be read in conjunction with the annual audited 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 audited 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 has been restated and the effects of the above change are disclosed in Note 11 to the condensed interim financial information.

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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
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 September 30, 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
Amendments to IFRS 15	Revenue from contracts with customers
Amendments to IFRS 2	Clarification on how to account for certain types of share-based payment transactions
IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases
IFRS 17	Insurance contracts
IAS 40	Investment property, relating to transfer of property
IFRIC 22	Foreign currency transaction and advance consideration
IFRIC 23	Uncertainty over income tax treatments
Annual improvements 2014-2016	

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 expenses. Actual results may differ from these estimates. In preparing this 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 audited financial statements as at and for the year ended December 31, 2016 except as follows.

During the nine-month period ended September 30, 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 Saudi Riyals 40.7 million and this has been charged to the statement of comprehensive loss in the nine-month period ended September 30, 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

	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Cash in hand	583	410
Cash at bank	6,012	4,892
	6,595	5,302

4. Net investment in finance leases

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

	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Gross investment in finance leases	1,002,171	1,047,657
Unearned finance income	(178,729)	(165,331)
Present value of minimum lease payments receivable	823,442	882,326
Provision for impairment	(86,178)	(45,472)
Net investment in finance leases	737,264	836,854
Investment in finance leases - non-current portion	(381,781)	(397,536)
Investment in finance leases - current portion	355,483	439,318

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

	For the nine- month period ended September 30, 2017	For the year ended December 31, 2016
	(Unaudited)	(Audited)
Opening balance	45,472	28,197
Charge for the period/year (Note 2)	40,706	17,275
Closing balance	86,178	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:

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Shareholder-AAC				
Purchase of vehicles for leases from AAC	52,202	70,184	201,526	214,776
Payments made to AAC	59,495	117,453	432,861	382,143
Insurance costs paid on behalf of the Company by a shareholder	-	-	-	18,001
Operating expenses paid on behalf of the Company by a shareholder	-	1,063	-	7,981
Shared service costs charged (to)/by a shareholder, net	(187)	2,255	2,686	8,856
Financial cost charged by related parties	1,984	4,029	7,482	11,188
Key management personnel				
Key management compensation (represents Directors and Departments heads remuneration)	1,600	1,099	9,202	3,945

5.2 Due to related parties

	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
AAC	56,800	378,727
AJHC	153,195	-
	<u>209,995</u>	<u>378,727</u>
	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Current		
- AAC	56,800	378,727
- AJHC	73,195	-
	<u>129,995</u>	<u>378,727</u>
Non- Current		
- AJHC	80,000	-
	<u>209,995</u>	<u>378,727</u>

Balance due to related parties as at September 30, 2017 and December 31, 2016 represents funding provided by the related parties to finance the Company's working capital requirements. Such balance bears financial charges which are based on the prevailing market rates.

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6. Prepayments and other receivables

	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Prepaid insurance	-	5,655
Insurance claims receivable	61,047	46,559
Other	11,100	11,089
	<u>72,147</u>	<u>63,303</u>
Provisions for impairment	(5,652)	(3,139)
	<u>66,495</u>	<u>60,164</u>

Movement in provision for doubtful insurance claims and other receivables are as follows:

	For the nine- month period ended September 30, 2017	For the year ended December 31, 2016
	(Unaudited)	(Audited)
Opening balance	3,139	2,855
Charge for the period/year (Note 2)	<u>2,513</u>	<u>284</u>
Closing balance	<u>5,652</u>	<u>3,139</u>

Charge for the period includes provision of Saudi Riyals 2.0 million recorded against insurance claims receivables during the nine-month period ended September 30, 2017 (2016: Nil).

7. Long term borrowings - secured

	September 30, 2017	December 31, 2016
	(Unaudited)	(Audited)
Long term borrowing	161,975	33,405
Less: current maturity shown under current liabilities	<u>(46,875)</u>	<u>(8,351)</u>
	<u>115,100</u>	<u>25,054</u>

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 September 30, 2017, the Company has assigned lease receivables to the bank amounting to Saudi Riyals 234.4 million representing 125% of the approved 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 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, the ultimate parent company.

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8. Provision for zakat

	For the nine- month period ended September 30, 2017	For the year ended December 31, 2016
	(Unaudited)	(Audited)
Opening balance	6,964	34,318
Charged for the period / year to retained earnings	-	45
Reversal of provision related to prior years to retained earnings	-	(15,000)
Payments	-	(12,399)
Closing balance	<u>6,964</u>	<u>6,964</u>

No provision for zakat has been made for the nine-month period ended September 30, 2017 due to adjusted net loss and negative zakat base.

Status of assessments

The zakat declaration is filed at the consolidated level of AJHC. During the year ended December 31 2016, the assessments relating to the years up to 2014 had been finalized. Accordingly, the zakat provision for prior years had been finalized and the excess provision was reversed. The calculation of the zakat base includes the deduction of the net investment in finance leases. This is in line with the practice adopted by the finance lease industry but is subject to final agreement between GAZT, SAMA and the finance lease industry. In case such practice is not agreed by the respective interested parties, the Company may be subject to additional zakat of Saudi Riyals 21 million. Additional zakat charged by GAZT over and above the provision as at September 30, 2017, if any, will be borne by AJHC.

9. Contingency and commitments

Contingency

The contingency related to zakat is disclosed in Note 8 to this 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 issuance by the Company's Board of Directors on October 30, 2017.

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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 condensed interim statements of comprehensive loss and changes in equity:

Condensed interim statement of comprehensive loss for the three-month period ended September 30, 2016:

	As previously stated	Effect of restatement	As restated
Zakat	(1,159)	1,159	-
(Loss) income for the period	(525)	1,159	634
Total comprehensive (loss) income for the period	(525)	1,159	634

Condensed interim statement of comprehensive loss for the nine-month period ended September 30, 2016:

	As previously stated	Effect of restatement	As restated
Zakat	(1,860)	1,860	-
Loss for the period	(7,570)	1,860	(5,710)
Total comprehensive loss for the period	(7,570)	1,860	(5,710)

Condensed interim statement of changes in equity for the nine-month period ended September 30, 2016:

	As previously stated	Effect of restatement	As restated
Total comprehensive loss for the period	(7,570)	1,860	(5,710)
Zakat charge for the period	-	(1,860)	(1,860)

The above change in accounting policy did not have any effect on the statement of financial position as of December 31, 2016 and the condensed interim statement of cash flows for the nine-month period ended September 30, 2016.