

**TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT**

FOR THE THREE MONTHS ENDED 31 DECEMBER 2016

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2016
(Expressed in Saudi Riyals)

INDEX	PAGE
Independent auditors' review report	-
Interim condensed statement of financial position	1
Interim condensed statement of income	2
Interim condensed statement of comprehensive income	3
Interim condensed statement of cash flows	4
Interim condensed statement of changes in shareholders' equity	5
Notes to the interim condensed financial statements	6 – 11



KPMG Al Fozan & Partners
Certified Public Accountants
Al Subeaei Towers
King Abdulaziz Road
P O Box 4803
Al Khobar 31952
Kingdom of Saudi Arabia

Telephone +966 13 887 7241
Fax +966 13 887 7254
Internet www.kpmg.com.sa

License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM CONDENSED FINANCIAL STATEMENTS

The Shareholders
Tamweel Al Oula Company
(Closed Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Scope of review:

We have reviewed the accompanying interim condensed statement of financial position of **Tamweel AlOula Company** – A Closed Joint Stock Company (the “Company”) as at 31 December 2016, the related interim condensed statement of income, statement of comprehensive income, statement of cash flows and statement of changes in shareholders’ equity for the three months then ended and the related notes 1 through 11 which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company’s management and have been prepared by them in accordance with International Accounting Standard - 34 “Interim Financial Reporting” (IAS 34) and submitted to us together with all the information and explanations which we required.

We conducted our review in accordance with the Auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (“SOCPA”). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion:

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

For KPMG Al Fozan & Partners
Certified Public Accountants

Tareq Abdulrahman Al Sunaid
License No: 419



Al Khobar, 4 May 2017
Corresponding to: 8 Sha’ban 1438H

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016
(Expressed in Saudi Riyals)

	Note	31 December 2016 (Unaudited)	30 September 2016 (Audited)
ASSETS			
Non-current assets			
Property and equipment		2,231,883	2,309,942
Intangible assets		2,884,044	2,964,234
Net investment in finance leases	3	162,476,304	193,088,445
Total non-current assets		167,592,231	198,362,621
Current assets			
Current maturity of net investment in finance leases	3	133,418,636	120,929,741
Other receivables		13,120,359	3,659,166
Cash and cash equivalents		3,478,331	826,050
Total current assets		150,017,326	125,414,957
TOTAL ASSETS		317,609,557	323,777,578
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	4	250,000,000	250,000,000
Statutory reserve		1,830,561	1,830,561
Retained earnings		21,992,332	16,475,048
TOTAL SHAREHOLDERS' EQUITY		273,822,893	268,305,609
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		1,897,235	1,744,004
Total non-current liabilities		1,897,235	1,744,004
Current liabilities			
Loans from a shareholder	9	1,284,924	27,930,675
Accounts payable		25,462,163	6,430,596
Due to shareholders	9	5,209,052	14,242,250
Accrued expenses and other liabilities		8,855,286	4,262,040
Zakat provision		1,078,004	862,404
Total current liabilities		41,889,429	53,727,965
TOTAL LIABILITIES		43,786,664	55,471,969
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		317,609,557	323,777,578

Chairman

Chief Executive Officer

Chief Financial Officer

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

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED 31 DECEMBER 2016
(Expressed in Saudi Riyals)

	Note	For the three months ended 31 December 2016 (Unaudited)	For the three months ended 31 December 2015 (Unaudited)	For the period from 2 July to 31 December 2015 (Unaudited)
INCOME				
Income from operations				
Finance lease		13,348,182	10,919,637	21,961,912
Income / (expenses) from other activities				
Other income/ (loss)		289,936	10,213	(231,235)
Total income		13,638,118	10,929,850	21,730,677
EXPENSES				
Special commission expenses and bank charges	5	(502,604)	(1,870,016)	(3,779,160)
Insurance expenses for finance leasing activities		(3,418,914)	(2,949,643)	(4,475,056)
Salaries and employee related expenses		(2,934,740)	(2,795,380)	(5,913,060)
Rent and premises related expenses		(212,500)	(219,166)	(342,916)
Depreciation and amortization		(203,083)	(81,227)	(154,280)
Other general and administrative expenses		(633,393)	(549,647)	(3,730,285)
Total expenses		(7,905,234)	(8,465,079)	(18,394,757)
PROFIT FOR THE PERIOD BEFORE ZAKAT		5,732,884	2,464,771	3,335,920
Zakat		(215,600)	(172,481)	(344,962)
PROFIT FOR THE PERIOD		5,517,284	2,292,290	2,990,958
Earnings per share - basic and diluted		0.221	0.092	0.120

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

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 DECEMBER 2016
(Expressed in Saudi Riyals)

	For the three months ended 31 December 2016 (Unaudited)	For the three months ended 31 December 2015 (Unaudited)	For the period from 2 July to 31 December 2015 (Unaudited)
Profit for the period	5,517,284	2,292,290	2,990,958
Other comprehensive income	-	-	-
Total comprehensive income for the period	5,517,284	2,292,290	2,990,958

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

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2016
(Expressed in Saudi Riyals)

	Note	31 December 2016 (Unaudited)	For the period from 2 July 2015 to 30 September 2016 (Audited)
OPERATING ACTIVITIES			
Profit for the period		5,517,284	18,305,609
<i>Adjustments:</i>			
Depreciation and amortization		203,083	635,515
Special commission expenses and bank charges		502,604	5,342,383
Employees' end of service benefits		206,187	818,787
Pre-organization expenses and capital work in progress charged to the period		-	2,456,576
Allowance for doubtful debts		-	4,230,629
Zakat		215,600	862,404
Loss on disposal of property and equipment		-	460,751
		<u>6,644,758</u>	<u>33,112,654</u>
Changes in operating assets and liabilities			
Net investment in finance leases		18,123,246	69,360,117
Other receivables		(9,461,193)	(590,157)
Due to shareholders	9	(9,033,198)	14,242,250
Employee' end of service benefits paid		(52,955)	(179,893)
Accounts payable		19,031,567	(29,853,637)
Accrued expenses and other liabilities		4,593,246	2,814,537
Special commission expenses and bank charges paid		(502,604)	(10,457,038)
Net cash from operating activities		<u>29,342,867</u>	<u>78,448,833</u>
INVESTING ACTIVITIES			
Capital expenditure incurred - property and equipment and intangible assets		(44,835)	(1,031,392)
Proceeds from disposal of property and equipment		-	770,391
Net cash used in investing activities		<u>(44,835)</u>	<u>(261,001)</u>
FINANCING ACTIVITIES			
Repayment of loans from shareholders	9	(26,645,751)	(207,194,928)
Due to shareholders		-	(137,033,269)
Share capital		-	250,000,000
Net cash used in financing activities		<u>(26,645,751)</u>	<u>(94,228,197)</u>
Net change in cash and cash equivalents		<u>2,652,281</u>	<u>(16,040,365)</u>
Cash and cash equivalents transferred		-	16,866,415
Cash and cash equivalents at beginning of the period		<u>826,050</u>	-
Cash and cash equivalent at end of the period		<u>3,478,331</u>	<u>826,050</u>
<u>Non-cash transactions:</u>			
Net investment in finance leases transferred		-	66,885,421
Capital work in progress transferred to intangible assets		-	3,112,500

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

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED 31 DECEMBER 2016
(Expressed in Saudi Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Share capital introduced	250,000,000	-	-	250,000,000
Profit for the period	-	-	18,305,609	18,305,609
Transfer to statutory reserve	-	1,830,561	(1,830,561)	-
30 September 2016 (Audited)	<u>250,000,000</u>	<u>1,830,561</u>	<u>16,475,048</u>	<u>268,305,609</u>
Profit for the period	-	-	5,517,284	5,517,284
31 December 2016 (Unaudited)	<u>250,000,000</u>	<u>1,830,561</u>	<u>21,992,332</u>	<u>273,822,893</u>

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

1. CORPORATE INFORMATION

Tamweel AlOula Company (the “Company”) is a Saudi closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company registered in Dammam under commercial registration number 2050055043 dated 15 Ramadan, 1436 corresponding to 2 July 2015 and operating under company license number 39/A Sh/201512 dated 21/02/1437H corresponding to 3 December 2015 issued by Saudi Arabian Monetary Agency (“SAMA”).

The principal activities of the Company are capital lease, financing lease and operating lease.

The Company’s registered office is located in Dammam at the following address:

Tamweel AlOula Company

Al Khobar Dammam Highway

Al Kifah Tower

P.O. Box 7355, Dammam 31462

Kingdom of Saudi Arabia

In accordance with the By-laws of the Company, the Company acquired the operations, related assets and liabilities of Tamweel for Trading and installments, a branch of Al Kifah Trading Company (a shareholder), as at 2 July 2015. The details of net assets acquired are as follows:

Cash and cash equivalent	16,866,415
Net investment in finance leases	463,387,079
Allowance for lease losses	(8,892,725)
Advances, prepayments and other receivables	3,069,010
Property and equipment, net	3,045,610
Intangible assets, net	45,189
Pre – organization expenses	2,362,716
Capital work in progress	3,112,500
Total assets	482,995,794
Long term loans from related parties	(303,829,810)
Accounts payable	(36,284,233)
Accrued expenses and other liabilities	(4,743,372)
Employees’ end of service benefits	(1,105,110)
Total liabilities	(345,962,525)
Net assets transferred	137,033,269

Cash consideration paid by the Company is equal to the book value of net assets transferred which approximate the fair market value.

Furthermore, in October 2015, the Company has disposed certain financial assets (investment in finance lease) to Al Kifah Trading Company (a shareholder), amounted to SR 66.8 million. Lease receivables transferred and related unearned lease finance income amounted to SR 71.5 million and SR 4.7 million, respectively. (Refer to note 3.3).

Management has notified SAMA about transactions in order to obtain a no-objection letter as required by implementing regulations of the finance companies control law.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATIONS

Significant accounting policies applied in the preparation of these interim condensed financial statements are set out below. These policies are consistently applied for all periods presented.

2.1 Statement of compliance

The interim condensed financial statements of the Company for the three months ended 31 December 2016 have been prepared by the management in accordance with International Financial Reporting Standards (IFRS). Accordingly, these interim condensed financial statements are not intended to be a presentation in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia, as issued by the Saudi Organization for Certified Public Accountants (SOCPA).

2.2 Basis of measurement

The Company has prepared these interim condensed financial statements under the historical cost convention on the accrual basis of accounting.

These interim condensed financial statements does not necessarily constitute an indication of the year end financial results. These interim condensed financial statements and notes should be read in conjunction with the annual audited financial statements and the related notes for the period from 2 July 2015 to 30 September 2015.

All the significant accounting policies are consistent with the latest audited year ended financial statements.

3. NET INVESTMENT IN FINANCE LEASES

	31 December 2016 (Unaudited)	30 September 2016 (Audited)
Lease receivables	326,667,651	344,866,816
Residual value	66,969,257	71,510,464
Gross investment in finance leases	393,636,908	416,377,280
Unearned lease finance income	(84,618,614)	(89,235,740)
Net investment in finance leases	309,018,294	327,141,540
Provision for lease losses	(13,123,354)	(13,123,354)
	295,894,940	314,018,186
Current maturity	(133,418,636)	(120,929,741)
	162,476,302	193,088,445

3.1 The movement in the provision for lease losses was as follows:

	31 December 2016 (Unaudited)	30 September 2016 (Audited)
Balance at the beginning of the period (Note 1)	13,123,354	8,892,725
Allowance for the period	-	4,230,629
	13,123,354	13,123,354

3.2 The aging on lease past due - but not impaired:

	31 December 2016 (Unaudited)	30 September 2016 (Audited)
From 1 day to 30 days	6,897,543	4,210,843
From 31 days to 90 days	3,155,352	3,869,735
Total	10,052,896	8,080,578

3.3 The Company has disposed certain financial assets (investment in finance leases) as at 1st October 2015 to Al Kifah Trading Company (a shareholder), amounting to SR 66.8 million. Lease receivables transferred and related unearned lease finance income amounted to SR 71.5 million and SR 4.7 million, respectively.

The management has notified SAMA about transactions in order to obtain a no-objection letter as required by Implementing Regulations of the Finance Companies Control law.

3.4 The contractual rights and the titles of certain assets subject to the finance leases arrangements are under the name of Al Kifah Trading Company (a shareholder) amounting to SR 232 million and SR 254 million of investment in finance leases as at 31 December 2016 and 30 September 2016 respectively. The shareholder has waived rights over these assets and confirmed that the risks and rewards pertaining to the assets have been transferred to the Company.

4. SHARE CAPITAL

The pattern of shareholding as of 31 December 2016 is as follows:

	Percentage of ownership	Number of Shares	Amount SR
Al Kifah Holding Company	80	20,000,000	200,000,000
International Developers Company	5	1,250,000	12,500,000
Al Kifah for Building Materials Company	5	1,250,000	12,500,000
Al Kifah Trading Company	5	1,250,000	12,500,000
Al Kifah for Constructions Company	5	1,250,000	12,500,000
	100	25,000,000	250,000,000

5. SPECIAL COMMISSION EXPENSES AND BANK CHARGES

	For the three months ended 31 December 2016 (Unaudited)	For the three months ended 31 December 2015 (Unaudited)
Special commission expense on long term loans from shareholders	387,535	1,735,830
Bank charges	115,069	134,185
	502,604	1,870,016

6. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the shareholders by weighted average number of shares at the end of the period.

7. SEGMENT REPORTING

A segment is a distinguishable component that is engaged in providing leases (a business segment), which is subject to risks and rewards that are different from those of other segments.

The Company essentially monitors its business as a single business segment and accordingly it is management opinion that segment reporting would not be relevant. The Company only operates in the Kingdom of Saudi Arabia.

8. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

All financial assets and financial liabilities are measured at amortized cost. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values.

9. RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its business, the Company transacts business with its related parties, which include its parent company (Al Kifah Holding Company), affiliated Companies and other entities in which the principal shareholder has share of interest. Such transactions are dealt with on agreed terms and the terms and conditions of such transactions are approved by the Company's management. Following are the related parties of the Company and the amounts of significant transactions:

	For the three months ended 31 December 2016 (Unaudited)	For the period from 2 July 2015 to 30 September 2016 (Audited)
<u>Transactions:</u>		
Al Kifah Holding Company – a shareholder		
Repayment of loans	(26,645,751)	(207,194,928)
Al Kifah for Building Materials – a shareholder		
Heavy machinery and equipment sales financed by the Company	2,895,000	14,158,500
Amount paid against machinery and equipment financed	(12,732,000)	-
Al Kifah Real Estate Company – a shareholder		
Annual rent for the Company's head office	850,000	980,416
Al Kifah Contracting Company – a shareholder		
Amount due against construction of new office	33,647	-
Al Kifah Information Technology Company – a shareholder		
Information technology fee	92,225	-
Amount paid against Information technology fee	(88,320)	-
Al Kifah Trading Company – a shareholder		
Assets purchased for the purpose of leases	7,093,240	78,110,000
Net assets acquired from shareholders	-	137,033,269
Net investments in finance lease transferred to a shareholder	-	66,885,421
Amount paid against purchase of assets	(7,176,990)	66,885,421

The above mentioned transactions with related parties resulted in the following balances as at 31 December:

	31 December 2016 (Unaudited)	30 September 2016 (Audited)
<u>Loan from a shareholder:</u>		
Al Kifah Holding Company	1,284,924	27,930,675
<u>Due to shareholders:</u>		
Al Kifah for Building materials Company	4,321,500	14,158,500
Al Kifah for Real Estate Company	850,000	-
Al Kifah Contracting Company	33,647	-
Al Kifah for Information Technology Company	3,905	-
Al Kifah Trading Company	-	83,750
	5,209,052	14,242,250

10. COMPARATIVE FIGURES

The Company obtained commercial registration certificate on 15 Ramadan 1436 corresponding to 2 July 2015, therefore, the comparative information in these interim condensed financial statements is not comparable.

11. BOARD OF DIRECTORS' APPROVAL

These condensed interim financial statements were approved on 4 May 2017 corresponding 8 Sha'ban 1438H.