

**TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
AND REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2017**

**TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

31 March 2017

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REVIEW REPORT

To the shareholders
Taajeer Finance Lease Company
(a Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying interim statement of financial position of Taajeer Finance Lease Company (a Saudi Closed Joint Stock Company) (the "Company") as at 31 March 2017 and the related interim statements of comprehensive income, changes in shareholders' equity and cash flows for the three month period then ended and the notes from 1 to 14, which form an integral part of these interim condensed financial statements. The Company's management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and Saudi Arabian Monetary Authority (SAMA) guidance on accounting for zakat. Our responsibility is to express a conclusion on these interim condensed 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" as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of the 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 (ISAs) 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 and SAMA guidance on accounting for zakat.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

11 May 2017
15 Sha'ban 1438H

Jeddah

16/289/00



TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three month period ended 31 March 2017

	<i>For the three month period ended 31 March 2017</i>
<i>Note</i>	<i>SR</i>
Income from finance leases	158,612
Direct costs	(154,288)
GROSS PROFIT	4,324
Other operating income	524,050
TOTAL INCOME FROM OPERATIONS	528,374
Selling and distribution expenses	(2,068,130)
General and administrative expenses	(2,801,752)
NET LOSS FROM OPERATIONS	(4,341,508)
Impairment allowance for doubtful receivables	(323,076)
Finance income	4 466,666
Unrealised gain from financial assets at fair value through profit or loss	5 29,433
TOTAL LOSS FOR THE PERIOD	(4,168,485)
Other comprehensive income for the period	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(4,168,485)

The attached notes 1 to 14 form an integral part of these interim condensed financial statements.

**TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2017

	<i>Note</i>	<i>31 March 2017 SR</i>	<i>31 December 2016 SR</i>
ASSETS			
Cash and cash equivalents	4	56,269,700	92,478,188
Financial assets at fair value through profit or loss	5	25,029,433	-
Prepayments and other receivables		2,677,662	1,683,477
Net investment in finance lease	6	29,764,232	-
Property and equipment		528,023	495,100
Intangibles		4,768,964	4,950,064
TOTAL ASSETS		119,038,014	99,606,829
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Accounts payable, accrued and other liabilities	7	24,105,874	431,934
Due to a related party	8	6,499,645	6,530,313
Employees' terminal benefits		171,624	50,226
TOTAL LIABILITIES		30,777,143	7,012,473
SHAREHOLDERS' EQUITY			
Share capital	9	100,000,000	100,000,000
Accumulated losses		(11,739,129)	(7,405,644)
TOTAL SHAREHOLDERS' EQUITY		88,260,871	92,594,356
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		119,038,014	99,606,829

The attached notes 1 to 14 form an integral part of these interim condensed financial statements.

TAAJEER FINANCE LEASE COMPANY
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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the three month period ended 31 March 2017

	<i>Note</i>	<i>Share capital SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Balance as at 31 December 2016 (Audited)	9	100,000,000	(7,405,644)	92,594,356
Total comprehensive loss for the period		-	(4,168,485)	(4,168,485)
Zakat charge for the period	10	-	(165,000)	(165,000)
Balance as at 31 March 2017 (Unaudited)		100,000,000	(11,739,129)	88,260,871

The attached notes 1 to 14 form an integral part of these interim condensed financial statements.

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the three month period ended 31 March 2017

	<i>Note</i>	<i>For the three month period ended 31 March 2017 SR</i>
OPERATING ACTIVITIES		
Loss for the period		(4,168,485)
Adjustments to reconcile loss for the period to net cash flows:		
Allowance for impairment of investment in finance lease		323,076
Depreciation and amortisation		209,097
Provision for employees' terminal benefits		121,398
Unrealised fair value gain on financial assets	5	(29,433)
		<u>(3,544,347)</u>
Changes in operating assets and liabilities:		
Prepayments and other receivables		(994,185)
Investment in finance lease		(30,087,308)
Accounts payable, accrued and other liabilities		23,508,940
Due to a related party		(30,668)
		<u>(11,147,568)</u>
Net cash used in operating activities		<u>(11,147,568)</u>
INVESTING ACTIVITIES		
Financial assets at fair value through profit or loss	5	(25,000,000)
Purchase of property and equipment		(60,920)
		<u>(25,060,920)</u>
Net cash used in investing activities		<u>(25,060,920)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(36,208,488)
Cash and cash equivalents at the beginning of the period	4	<u>92,478,188</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u><u>56,269,700</u></u>

The attached notes 1 to 14 form an integral part of these interim condensed financial statements.

**TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 31 March 2017

1 ORGANIZATION AND ACTIVITIES

Taajeer Finance Lease Company (the “Company”) is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030289565, issued on 17 Sha’ban 1437H, (corresponding to 24 May 2016).

The Company’s head office is in Jeddah. The principal activity of the Company is to provide the following business in the Kingdom of Saudi Arabia;

- a) Small and Medium Enterprises (SME) Financing
- b) Finance lease

On 29 Safar 1438H (corresponding to 29 November 2016), the Company received a license from Saudi Arabian Monetary Authority (SAMA) to undertake both finance leasing and small and medium enterprises (SME) financing in the Kingdom of Saudi Arabia under license number 46/AU/201611.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Basis of preparation

As per the Bye Laws of the Company, the first financial statements of the Company were prepared for the period from 24 May 2016, being date of the ministerial resolution, to 31 December 2016. The Company’s first financial period commenced on the date of ministerial resolution and was upto 31 December 2016 (the ‘period’). Accordingly, no comparative information is presented in the interim statement of comprehensive income, interim statement of changes in shareholders’ equity and interim statement of cash flows.

As at 31 March 2017, the Company operates through 7 branches (24 May 2016 to 31 December 2016: nil). The accompanying interim condensed financial statements include the assets, liabilities and results of these branches.

The interim condensed financial statements may not be considered indicative of the actual results for the full year.

2.2 Statement of compliance

During 2017, SAMA issued a Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to accounting for zakat and tax. As a result of these amendments, zakat is to be accrued on a quarterly basis and recognized in statement of shareholders’ equity with a corresponding liability recognized in the statement of financial position.

Applying the above framework, the interim condensed financial statements of the Company as at and for the period ended 31 March 2017 have been prepared in accordance with International Accounting Standard (IAS) No. 34 “Interim Financial Reporting” (IAS-34) and SAMA guidance on accounting for zakat and tax.

Until 2016, the financial statements of the Company were prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). This change in framework resulted in change in accounting policy for zakat as disclosed in note 3. There was no effect of this change on the statement of financial position amounts as presented as of 31 December 2016.

These financial statements have been presented in Saudi Riyal, which is the functional and presentation currency of the Company.

These financial statements are prepared under historical cost convention except for the financial assets at fair value through profit or loss that are carried at their fair values.

**TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2017

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.3 Significant accounting Judgments, estimates and assumptions

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that will affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Company based its assumptions and estimates on parameters available when the interim condensed financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the interim condensed financial statements have been prepared on a going concern basis.

Impairment of receivables under finance lease

An estimate of the collectible amount of receivables under finance lease is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, primarily, based on historical recovery rates. As the Company has recently started its operations, in order to assess the collective impairment allowance, management has taken into account peer benchmarks as well as regulatory requirements.

Useful lives of property and equipment and intangibles

The management determines the estimated useful lives of its property and equipment and intangibles for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation / amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

2.4 Amendments to existing standards

Amendments to IAS 7 – "Statement of Cash Flows", The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments are intended to provide information to help investors better understand changes in an entity's debt.

2.5 Annual improvements to IFRSs 2014-2016 cycle

Amendments to IFRS 12 "Disclosure of Interests in Other Entities", The amendments clarify that the disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale or distribution. These amendments apply retrospectively.

**TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim condensed financial statements have been prepared using the same accounting policies as outlined in the Company's audited financial statements for the period from 24 May 2016 to 31 December 2016 except for the following;

Change in accounting policy

As stated in note 2.2, the Company has amended its accounting policy relating to zakat charge and have started charge it directly to retained earnings with a corresponding liability recognized in the interim statement of financial position. Previously zakat was charged in the interim statement of comprehensive income. The amendment in the accounting policy, however, has not resulted in restatement of the statement of financial position as of 31 December 2016, as 2016 was the first period of the Company operations (note 1) and the Company estimated nil zakat liability.

Adoption of certain new accounting policies

The Company adopted certain new accounting policies that are relevant to the operations of the Company conducted during the three month period ended 31 March 2017. These policies are summarized as follows:

Leasing revenue

Gross investment in finance lease represents the gross lease payments receivable by the Company, and the net investment represents the present value of these lease payments discounted at interest rate implicit in the lease. The difference between the gross investment and the net investment is recognised as unearned finance income. Finance lease income is recognised over the period of the lease on a systematic basis, which results in a constant periodic rate of return on the net investment outstanding.

Other operating income

Other operating income comprises lease initiation, customer credit assessment, vehicle registration and other fee income. It is recognised immediately upon execution of the agreements with the customers.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss. After initial measurement, the Company measures financial instruments which are classified as at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets at fair value through profit or loss. Dividend earned or paid on these instruments are recorded as dividend income when right to receive is established.

4 CASH AND CASH EQUIVALENTS

	<i>31 March 2017 SR Unaudited</i>	<i>31 December 2016 SR Audited</i>
Cash and bank balances	5,597,478	42,272,632
Short term deposit (note below)	50,672,222	50,205,556
	<u>56,269,700</u>	<u>92,478,188</u>

It represents short-term deposit placed with a financial institution at 4% yield rate with original maturity of less than 90 days. During the period, the Company earned SR 466,666 on this deposit.

TAAJEER FINANCE LEASE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2017

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>31 March 2017</i>	<i>31 December 2016</i>
	<i>SR</i>	<i>SR</i>
	<i>Unaudited</i>	<i>Audited</i>
Investment	25,000,000	-
Unrealised fair value gain	29,433	-
	<u>25,029,433</u>	<u>-</u>

6 NET INVESTMENT IN FINANCE LEASE

	<i>31 March 2017 (Unaudited)</i>		
	<i>Current portion SR</i>	<i>Non-Current portion SR</i>	<i>Total SR</i>
Gross investment in finance lease	8,883,173	39,880,788	48,763,961
Less: unearned finance income	(4,767,345)	(13,909,308)	(18,676,653)
Less: allowance for impairment	(323,076)	-	(323,076)
	<u>3,792,752</u>	<u>25,971,480</u>	<u>29,764,232</u>

The overdue finance lease receivables related to certain customers amounts to SR 10,687. The not yet due portion of balance receivable from these customers as at 31 March 2017 amounts to SR 451,551.

The Company has assessed the carrying amount of the net investment in finance lease and recorded a collective impairment allowance of SR 323,076.

7 ACCOUNTS PAYABLE, ACCRUED AND OTHER LIABILITIES

	<i>31 March 2017</i>	<i>31 December 2016</i>
	<i>SR</i>	<i>SR</i>
	<i>Unaudited</i>	<i>Audited</i>
Accounts payables (note below)	21,976,328	-
Accrued expenses	1,075,064	326,780
Advances from customers	715,622	105,154
Zakat payable (note 10)	165,000	-
Others	173,860	-
	<u>24,105,874</u>	<u>431,934</u>

It represents amount payable to suppliers against purchase of vehicles leased out to customers.

**TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2017

8 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

i) Following are the details of related party transactions entered during the period:

Related Party	Nature of transaction	<i>For the three month period ended 31 March 2017 Unaudited</i>
Ultimate Parent	Reimbursement of expenses	19,206
Other related party	Financial assets at fair value through profit or loss	25,000,000
	Short term deposit	50,000,000

ii) Due to related parties comprises the balance payable to Taajeer Holding Group (formerly Taajeer Company For Machinery, Real Estate and Vehicles Trading).

iii) The total amount of compensation paid to key management personnel during the period is as follows:

	<i>For the three month period ended 31 March 2017 SR Unaudited</i>
Key management remuneration	271,900
Employees' terminal benefits	69,358
	341,258

The Company's Board of Directors includes the Board and other Board related committees (Credit and Risk Committee, Executive Committee, Remuneration Committee and Audit Committee).

**TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2017

9 SHARE CAPITAL

The share capital of the Company is divided into 10,000,000 shares of SR 10 each. As at 31 March 2017 and 31 December 2016, the share capital is owned as follows:

	<i>No. of shares of SR 10 each</i>	<i>31 March 2017 SR Unaudited</i>	<i>31 December 2016 SR Audited</i>
Taajeer Global Company Limited	100,000	1,000,000	1,000,000
Taajeer Gulf Company Limited	100,000	1,000,000	1,000,000
Taajeer International Company Limited	100,000	1,000,000	1,000,000
Taajeer National Company for Auto Maintenance and Integrated Service Limited	100,000	1,000,000	1,000,000
Distinctive Targets Company	9,600,000	96,000,000	96,000,000
	10,000,000	100,000,000	100,000,000

10 ZAKAT

The current period charge is of Zakat as the Company is 100% owned by Saudi nationals.

Status of assessments

The assessments for the period from 24 May 2016 to 31 December 2016 have not yet been raised General Authority for Zakat and Tax (the "GAZT")

11 LEASE COMMITMENTS

Operating lease commitments represent rentals payable by the Company for certain office properties. Leases are negotiated for an average renewable term of 1 year and rentals are fixed for the same period. Future minimum rentals as at 31 March 2017 payable under non-cancellable operating leases amounted to SR 1,111,244 (31 December 2016 amount to SR 444,314).

As at 31 March 2017, the Company's commitment to extend financing for lease of vehicles to its customers amounted to SR 2,230,939.

12 CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies or processes for managing capital during the period from 31 December 2016 to 31 March 2017.

**TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

As at 31 March 2017

12 CAPITAL MANAGEMENT (continued)

The Company monitors capital on the basis of the regulatory requirements of Regulations for Companies and SAMA minimum capital requirements for financing companies.

	<i>31 March 2017 SR Unaudited</i>	<i>31 December 2016 SR Audited</i>
Capital adequacy ratio (Net investment in finance lease divided by shareholders' equity)	0.30 times	-

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, financial assets at fair value through profit or loss and other receivables. Its financial liabilities consist of due to related parties and accounts payable, accrued and other liabilities.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date,
- Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data, and
- Level 3: valuation techniques for which any significant input is not based on observable market data.

The Company's management determines the policies and procedures for both recurring and non-recurring measurement fair value measurement.

As of 31 March 2017, the Company's financial instruments classified as financial assets at fair value through profit or loss are carried at their fair values. The fair value is ascertained using a valuation technique which, primarily, is net assets value. Accordingly, these are categorised as "Level 3".

The carrying amounts of the financial assets and liabilities which are carried at their amortised cost, approximate their fair values.

14 BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on 27 April 2017 (corresponding to 1 Sha'ban 1438H).