

Tawkelat Financing Company
(Formerly known as “Tawkelat Trading and
Installment Company”)
(A Saudi Closed Joint Stock Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS’ LIMITED REVIEW REPORT**

**FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2016 AND
FOR THE PERIOD FROM 14 APRIL 2015 TO 30 SEPTEMBER 2016**



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**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
TAWKELAT FINANCING COMPANY
(FORMERLY KNOWN AS "TAWKELAT TRADING AND INSTALLMENT COMPANY")
(A SAUDI CLOSED JOINT STOCK COMPANY)**

Scope of review:

We have reviewed the accompanying interim statement of financial position of Tawkelat Financing Company, a Saudi Closed Joint Stock Company (formerly known as "Tawkelat Trading and Installment Company") (the "Company") as of 30 September 2016, the related interim statement of comprehensive income for the period from 14 April 2015 to 30 September 2016 and for the three month period ended 30 September 2016 and the related interim statements of changes in shareholders' equity and cash flows for the period from 14 April 2015 to 30 September 2016. 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 limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited 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 generally accepted auditing standards, 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 limited 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 Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354



Riyadh: 12 Rabi Awal 1438H
(11 December 2016)

TAWKELAT FINANCING COMPANY
(FORMERLY KNOWN AS “TAWKELAT TRADING AND INSTALLMENT COMPANY”)
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

		<i>For the three month period ended 30 September 2016 SR</i>	<i>For the period from 14 April 2015 to 30 September 2016 SR</i>
Revenue	7	6,293,333	48,637,361
Finance charges		(1,352,922)	(8,536,396)
NET REVENUE		4,940,411	40,100,965
Sales commission expenses		(793,326)	(2,655,108)
Administration expenses	8	(2,938,098)	(15,400,329)
Provision for impairment of finance lease receivables	13	(347,100)	(3,233,825)
INCOME FROM MAIN OPERATIONS		861,887	18,811,703
Other income	9	2,865,602	7,747,153
PROFIT BEFORE ZAKAT		3,727,489	26,558,856
Zakat	10	(1,200,000)	(7,720,571)
NET PROFIT FOR THE PERIOD		2,527,489	18,838,285
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in the subsequent periods		-	-
Other comprehensive income not to be reclassified to profit or loss in the subsequent periods		-	-
TOTAL COMPREHENSIVE INCOME		2,527,489	18,838,285

The attached notes 1 to 20 form part of these interim condensed financial statements.

TAWKELAT FINANCING COMPANY
(FORMERLY KNOWN AS “TAWKELAT TRADING AND INSTALLMENT COMPANY”)
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2016

	<i>Notes</i>	<i>SR</i>
ASSETS		
CURRENT ASSETS		
Cash and bank balances	11	6,756,861
Trade and other receivables	12	8,842,642
Finance lease receivables, net	13	68,265,083
TOTAL CURRENT ASSETS		83,864,586
NON-CURRENT ASSETS		
Finance lease receivables, net	13	228,587,545
Property and equipment	14	1,212,896
TOTAL NON-CURRENT ASSETS		229,800,441
TOTAL ASSETS		313,665,027
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accruals and other payables	15	30,058,372
Current portion of long-term loan	16	58,966,830
Provision for zakat	10	9,624,070
TOTAL CURRENT LIABILITIES		98,649,272
NON-CURRENT LIABILITIES		
Long term-loan	16	64,525,491
Employees' terminal benefits		447,588
TOTAL NON-CURRENT LIABILITIES		64,973,079
TOTAL LIABILITIES		163,622,351
SHAREHOLDERS' EQUITY		
Share capital	17	100,000,000
Statutory reserve		3,043,788
Retained earnings		46,998,888
TOTAL SHAREHOLDERS' EQUITY		150,042,676
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		313,665,027

The attached notes 1 to 20 form part of these interim condensed financial statements.

TAWKELAT FINANCING COMPANY
(FORMERLY KNOWN AS “TAWKELAT TRADING AND INSTALLMENT COMPANY”)
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY (UNAUDITED)
FOR THE PERIOD FROM 14 APRIL 2015 TO 30 SEPTEMBER 2016

	<i>Share capital</i> SR	<i>Statutory reserve</i> SR	<i>Retained earnings</i> SR	<i>Total</i> SR
Balances transferred upon conversion (note 1)	100,000,000	2,906,002	26,851,717	129,757,719
Effect of transition to IFRS (note 3)	-	137,786	1,308,886	1,446,672
Revised balances	100,000,000	3,043,788	28,160,603	131,204,391
Net profit for the period	-	-	18,838,285	18,838,285
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	18,838,285	18,838,285
Balance at 30 September 2016	100,000,000	3,043,788	46,998,888	150,042,676

The attached notes 1 to 20 form part of these interim condensed financial statements.

TAWKELAT FINANCING COMPANY
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INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD FROM 14 APRIL 2015 TO 30 SEPTEMBER 2016

	SR
OPERATING ACTIVITIES	
Profit before zakat	26,558,856
Adjustments for:	
Depreciation	347,648
Finance charges	8,536,396
Employees' terminal benefits	447,588
Provision for impairment of finance lease receivables	3,233,825
	<u>39,124,312</u>
<i>Operating cash flows before working capital changes</i>	
Finance lease receivables, net	(103,162,915)
Trade and other receivables	61,278,967
Accruals and other payables	27,188,859
	<u>24,429,224</u>
Net cash from operations	<u>24,429,224</u>
Zakat paid	(3,496,038)
	<u>20,933,186</u>
Net cash from operating activities	<u>20,933,186</u>
INVESTING ACTIVITY	
Purchase of property and equipment	(447,757)
	<u>(447,757)</u>
Cash used in investing activity	<u>(447,757)</u>
FINANCING ACTIVITIES	
Long term loans	(16,008,042)
Financial charges paid	(8,536,396)
	<u>(24,544,438)</u>
Net cash used in from financing activities	<u>(24,544,438)</u>
DECREASE IN CASH AND BANK BALANCES	(4,059,009)
Cash and bank balances at the beginning of the period (note 1)	<u>10,815,870</u>
CASH AND BANK BALANCES AT THE END OF THE PERIOD	<u>6,756,861</u>

The attached notes 1 to 20 form part of these interim condensed financial statements.

1 ACTIVITIES

Tawkelat Financing Company (the “Company”) is a Saudi closed joint stock company, registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010188406 dated dated 13 Jumada Awal 1424H (corresponding to 13 July 2003).

The Company’s head office is located in Riyadh. The Company has the following branches:

<i>Branch Commercial Registration Number</i>	<i>Location</i>
4700012843	Yanbu
5850031082	Abha
2050061537	Dammam
4030183241	Jeddah
4650042909	Madinah
1131027546	Buraidah
3550023938	Tabuk

During 2013 the Saudi Arabian Monetary Agency (SAMA) has issued an Implementing Regulations of the Finance Companies Control Law which was published on 24 February 2013 following the Finance Lease Law and Finance Companies Control Law (the “laws”) published on 27 August 2012 to the existing companies engaged in leasing and financing activities. On Muharram 1, 1436H corresponding to 12 November 2014 the Saudi Arabian Monetary Agency as the principal agency responsible for the application and administration of the Finance Companies Control Law and its implementing regulation, granted the Company a provisional license in their letter numbered 361000010650 to transact financing activities in Saudi Arabia and obtain the required approval to change the Company’s legal structure to closed joint stock.

Ministry of Commerce and Industry Resolution numbered 495-Q dated 25 Jumada Thani 1436H (corresponding to 14 April 2015) approved to announce the conversion of the Company from a Limited Liability Company to a Saudi Closed Joint Stock Company and to change its name from “Tawkelat Trading and Installment Company” to “Tawkelat Financing Company”. The Company effectively assumed the assets and liabilities of the Limited Liability Company, on the basis that it is a continuing entity for all purposes, other than the legal conversion. The new commercial registration was issued on 25 Jumad Thani 1436H (corresponding to 14 April 2015).

Under the required law, upon obtaining the license, the Company will be required to prepare its financial statements under International Financial Reporting Standards (IFRS). Upon IFRS adoption, the Company will be required to comply with the requirements of IFRS 1 - First-time Adoption of International Financial Reporting Standards.

TAWKELAT FINANCING COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
AS AT 30 SEPTEMBER 2016

1 ACTIVITIES (continued)

Assets and liabilities taken over were reported in accordance with the generally accepted accounting standards (GAAP) in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Following are the assets and liabilities recognized as of the date of conversion.

	<i>14 April 2015</i> SR
ASSETS	
Current assets	
Cash and cash equivalents	10,815,870
Trade and other receivables	70,121,609
Finance lease receivables, net	51,347,486
Non-Current assets	
Property and equipment	1,112,787
Finance lease receivables, net	144,129,380
TOTAL ASSETS	<u>277,527,132</u>
LIABILITIES	
Current liabilities	
Accruals and other payables	2,869,513
Provision for zakat	5,399,537
Current portion of long term loan	46,745,470
Non-current liability	
Long-term loan	92,754,893
TOTAL LIABILITIES	<u>147,769,413</u>
NET ASSETS	<u>129,757,719</u>

The Company has decided to appropriate statutory reserve and retained earnings as carried in the Limited Liability Company as at the date of conversion to the Closed Joint Stock Company.

These interim condensed financial statements for the quarter ended 30 September 2016 and for the period from 14 April 2015 to 30 September 2016 have been prepared by the Company in accordance with International Financial Reporting standards (“IFRS”).

2 BASIS OF PREPARATION

These interim condensed financial statements for the quarter ended 30 September 2016 and for the period from 14 April 2015 to 30 September 2016 have been prepared by the Company in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as laid down under Article 71 of the Implementing Regulations of the Finance Companies Control Law which requires the Company to prepare the financial statements based on IFRS.

These interim condensed financial statements are the first financial statements of the Company after conversion to Saudi close joint stock Company and have been prepared in accordance with International Accounting Standard (IAS 34) – “Interim Financial Reporting”. These are the Company’s first IFRS interim condensed financial statements for the interim period covered by the first IFRS annual financial statements and IFRS 1 has been applied.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements. In addition, results for the quarter ended 30 September 2016 and for the period from 14 April 2015 to 30 September 2016 are not necessarily indicative of the results that may be expected for the financial period ending 31 December 2016.

These interim condensed financial statements have been presented in Saudi Riyals, as it is the functional currency of the Company.

3 FIRST TIME ADOPTION OF IFRS

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Accordingly, the Company has prepared its interim condensed financial statements which comply with IFRS applicable for the period ended 30 September 2016 as described in the accounting policies.

In preparing its opening IFRS statement of financial position, the Company has analysed the impact and noted that following adjustments are required to the amounts transferred from previously reported financial statements by the limited liability company as prepared in accordance with the generally accepted accounting standards (GAAP) in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

In preparing these interim condensed financial statements, the Company’s opening statement of financial position was prepared as at 14 April 2015 after incorporating the following GAAP differences:

a. Special commission income

Under SOCPA, special commission income on finance lease receivables is measured and recognized based on the sum of the digits method. Under IFRS special commission on finance lease receivables is measured and recognized based on the amortized cost method using effective profit rate basis (“EPR”).

b. Directly attributable sale commission

Under SOCPA, directly attributable sales commission expense was recognized as incurred. Under IFRS, this is included in the EPR of the relevant contract and is recognized over the period of the contract. Therefore, as at the date of transition to IFRS, such expense has been deferred and is now recognized over the period of the contract in the statement of comprehensive income of the Company using EPR.

c. Admin fee

Under SOCPA, the admin fees was recognized as income at the time of its receipt. Under IFRS, this is included in the income using EPR of the relevant contract and is recognized over the period of the contract. Therefore, such fee is now recognized over the period of the contract in the statement of comprehensive income of the Company using EPR.

3 FIRST TIME ADOPTION OF IFRS (continued)

*Reconciliation of total assets, total liabilities and shareholders' equity as at 14 April 2015
(date of conversion)*

	<i>Statement of financial position</i>		
	<i>Total assets</i>	<i>Total liabilities</i>	<i>Shareholders' equity</i>
	SR	SR	SR
SOCPA	277,527,132	147,769,413	129,757,719
Effect of transition to IFRS	1,446,672	-	1,446,672
IFRS	278,973,804	147,769,413	131,204,391

4 SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied by the Company:

Accounting convention

The interim condensed financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of the interim condensed financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period.

Cash and bank balances

For the purpose of the interim statement of cash flows, cash and cash equivalents consist of bank balances and cash in hand.

Property and equipment

Property and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and any impairment in value. Construction work in progress is not depreciated. The cost less estimated residual value of other property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and the present value of cash flows expected from the assets.

Expenditures for repair and maintenance are charged to statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalized.

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. 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 charge would be adjusted where the management believes the useful lives differ from previous estimates.

Dividends

Final dividends are recognized as a liability at the time of their approval by the shareholders' General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Special commission income from finance leases are recognized on an effective profit rate basis (“EPR”). admin fees for lease receivables are recognized as an adjustment to the EPR on these receivables. Profit as used in the context of financial instruments refers to special commission income as understood in the financial community in the Kingdom of Saudi Arabia.

Commission income from sale of vehicles is recognized when the vehicle has been sold.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Accruals and other payables

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Financial assets

Initial recognition and measurement

Financial assets held by the Company are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are initially recognized at fair value, which is the cash consideration to originate the financial assets, including any transaction costs. After initial measurement, such financial assets are subsequently measured at amortised cost using the EPR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in finance income in the interim statement of comprehensive income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the financial asset, and recognized in the interim statement of comprehensive income as impairment charge.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults

The Company first assesses whether objective evidence of impairment exists individually for the financial assets that are individually significant and collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes it in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the interim statement of comprehensive income. Finance income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Financial assets together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the interim statement of comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liability

Initial recognition and measurement

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Company’s financial liabilities include trade and other payables, and bank borrowings.

Subsequent measurement

After initial recognition, profit bearing bank borrowings are subsequently measured at amortised cost using the EPR method. Gains and losses are recognized in the interim statement of comprehensive income when the liabilities are derecognized as well as through the EPR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in finance costs in the interim statement of comprehensive income.

Derecognition of financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the interim statement of comprehensive income.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the interim statement of financial position if, and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Employees' terminal benefits

Provision is made for amounts payable under the Saudi Arabian Labor Law applicable to employees' accumulated periods of service at the reporting date.

Expenses

Insurance expenses are classified as cost of operation. Sales commission are those which specifically relate to salesman commission. All other expenses are classified as general and administration expenses.

Zakat

Zakat is provided in accordance with the regulations of the Department of Zakat and Income Tax (the “DZIT”) as applicable in the Kingdom of Saudi Arabia. The provision is charged to the interim statement of comprehensive income on an estimate basis during the interim periods, and will be reassessed at the end of the year.

5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

A number of new and amended standards and interpretations have been issued which are effective for the first time for the Company in the current period and have all being adopted by the Company. Such adoption of new and amended standards and interpretations had no significant impact on the interim condensed financial statements of the Company.

6 STANDARD ISSUED BUT NOT YET EFFECTIVE

A number of new standards and interpretations have been issued but are not yet effective. The Company intends to adopt all the applicable standards and interpretations when these become effective. Management has assessed the impact of these new standards and interpretations and believes that none of these would have any effect on the future financial statements of the Company except for the following:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company’s financial assets, but no impact on the classification and measurement of the Company’s financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

7 REVENUE

	<i>For the three month period ended 30 September 2016 SR</i>	<i>For the period from 14 April 2015 to 30 September 2016 SR</i>
Special commission income from finance lease	4,596,229	32,298,180
Commission income (note 18)	1,325,936	11,188,429
Insurance commission, net	371,168	5,150,752
	<u>6,293,333</u>	<u>48,637,361</u>

8 ADMINISTRATION EXPENSES

	<i>For the three month period ended 30 September 2016 SR</i>	<i>For the period from 14 April 2015 to 30 September 2016 SR</i>
Salaries and other employee benefits	1,974,285	10,090,844
Maintenance costs	293,985	1,668,013
Board of directors fees (note 18)	225,000	1,429,545
Legal and professional fees	315,226	1,357,433
Depreciation	76,484	347,648
Office supplies	1,920	38,288
Others	51,198	468,558
	<u>2,938,098</u>	<u>15,400,329</u>

9 OTHER INCOME

Other income mainly consist of admin fees, credit cards fees, and collection from written off receivables.

10 ZAKAT

The Company is owned by Saudi shareholders, and hence is subject to zakat. The zakat liability has been calculated on the basis of the Income Tax Law and the Zakat Regulations issued by the Department of Zakat and Income Tax (“DZIT”).

a) Charge for the period

Charge for the period from 14 April 2015 to 30 September 2016 represents provision of SR 7,720,571.

b) Movement in provision for zakat

The movement in the provision for zakat for the period is as follows:

	<i>For the period from 14 April 2015 to 30 September 2016 SR</i>
Balance at beginning of the period (note 1)	5,399,537
Provision during the period	7,720,571
Payment during the period	<u>(3,496,038)</u>
Balance at end of the period	<u>9,624,070</u>

11 CASH AND BANK BALANCES

	<i>30 September 2016 SR</i>
Cash on hand	1,008,470
Bank balances	<u>5,748,391</u>
	<u>6,756,861</u>

12 TRADE AND OTHER RECEIVABLES

	<i>30 September 2016 SR</i>
Prepaid expenses	8,714,087
Trade receivables	128,555
	<hr/>
	8,842,642
	<hr/> <hr/>

Trade receivables represent receivables from sale of vehicles to customers. However, after obtaining license from SAMA the Company will no longer be engaging in direct sale of vehicles. The average credit term of sales of vehicles is 60 days. No special commission is charged on the trade receivables. The trade receivables at the reporting date are neither past due nor impaired.

The prepaid insurance relates to the insurance of vehicles and is for a period of less than 12 months from the date of the interim condensed financial statements.

13 FINANCE LEASE RECEIVABLES, NET

	<i>Within 1 year SR</i>	<i>2 - 5 years SR</i>	<i>Total SR</i>
	<hr/>	<hr/>	<hr/>
Total minimum lease payments	118,178,698	283,620,918	401,799,616
Less : Unearned finance income	(35,425,073)	(55,033,373)	(90,458,446)
	<hr/>	<hr/>	<hr/>
Present value of minimum lease payments	82,753,625	228,587,545	311,341,170
Less: Allowance for impairment	(14,488,542)	-	(14,488,542)
	<hr/>	<hr/>	<hr/>
Total finance lease receivables, net	68,265,083	228,587,545	296,852,628
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The special commission rate inherent in the leases is fixed at the contract date for the entire lease term. The effective special commission rate contracted approximately ranges from 6% to 10% per annum.

The Company has assigned SR 123 million of these receivables as collateral for the long term loan taken from a local bank (note 16).

TAWKELAT FINANCING COMPANY
(FORMERLY KNOWN AS “TAWKELAT TRADING AND INSTALLMENT COMPANY”)
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
AT 30 SEPTEMBER 2016

14 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Computers and office equipment	4 to 8 years
Furniture and fixtures	4 to 10 years
Vehicles	4 years
Leasehold improvements	5 years or period of lease, whichever is lower

	<i>Computers and office equipment</i> SR	<i>Furniture and fixtures</i> SR	<i>Vehicles</i> SR	<i>Leasehold improvements</i> SR	<i>Construction work in progress</i> SR	<i>Total 30 September 2016</i> SR
Cost:						
At the beginning of the period (note 1)	164,955	124,151	-	-	833,132	1,122,238
Additions	96,609	117,968	147,320	32,500	53,360	447,757
Transfer from CWIP				865,532	(865,532)	-
At the end of the period	<u>261,564</u>	<u>242,119</u>	<u>147,320</u>	<u>898,032</u>	<u>20,960</u>	<u>1,569,995</u>
Depreciation:						
At the beginning of the period (note 1)	6,852	2,599	-	-	-	9,451
Charge for the period	93,829	25,120	36,831	191,868	-	347,648
At the end of the period	<u>100,681</u>	<u>27,719</u>	<u>36,831</u>	<u>191,868</u>	<u>-</u>	<u>357,099</u>
Net book value:						
At 30 September 2016	<u>160,883</u>	<u>214,400</u>	<u>110,489</u>	<u>706,164</u>	<u>20,960</u>	<u>1,212,896</u>

15 ACCRUALS AND OTHER PAYABLES

	<i>30 September 2016</i> SR
Due to a related party (note 18)	16,746,902
Accruals and other payables	12,368,923
Advance from customers	942,547
	<u>30,058,372</u>

16 LONG TERM LOAN

The Company has a long-term loan from a local bank. The special commission charges are at a rate of SIBOR plus an agreed margin per annum.

	<i>30 September 2016</i> SR
Current portion of long-term loan	58,966,830
Non-current portion of long-term loan	64,525,491
At the end of the period	<u>123,492,321</u>

16 LONG TERM LOAN (continued)

The loans are guaranteed by the corporate and personal guarantees of the shareholders in proportionate to their shareholding and assignment of selected receivables through sale of receivables with recourse (as detailed in note 13). The loan agreement for the above loan include certain financial covenants relating to tangible net worth and dividend payments. The repayment of the long term loan is as follows:

	<i>30 September 2016</i> SR
Within one year	58,966,830
One to two years	45,545,181
Two to three years	15,236,902
Three to four years	3,743,408
	<u>123,492,321</u>

17 SHARE CAPITAL

The share capital of the Company is SR 100 million which is divided in to 10,000,000 shares of SR 10 each.

18 RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include the shareholders, their affiliated entities and certain key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

In the ordinary course of its activities, the Company transacts business with related parties on mutually agreed terms.

The following are the details of major related party transactions during the periods.

<u>Related party</u>	<u>Nature of transactions</u>	<i>For the three month period ended 30 September 2016</i> SR	<i>For the period from 14 April 2015 to 31 September 2016</i> SR
United Motors Company	Purchase of vehicles	31,218,969	344,318,731
	Commission income for sale of vehicles (note 7)	1,325,936	11,188,429
Key management personnel	Board of directors' fees (note 8)	225,000	1,429,545

The above transactions resulted in balances with the related parties as follows:

<u>Related party</u>	<u>Balances</u>	<i>30 September 2016</i> SR
United Motors Company	Due to a related party (note 15)	16,746,902

The amounts outstanding are unsecured. No guarantees have been given or received. No expenses has been recognized during the period for bad or doubtful debts in respect of the amounts owed by related parties.

19 FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of bank balances and cash, finance lease receivables, accounts and other receivables. Financial liabilities consist of loans and other payables.

All financial liabilities are designated as financial liabilities held at amortized cost.

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Management has classified all the financial assets and financial liabilities within level 2 of fair value hierarchy. Carrying value of the financial assets and financial liabilities are as follows:

	<i>30 September 2016</i>
	SR
Financial assets	
Cash and bank balances	6,756,861
Trade and other receivables	128,555
Finance lease receivables, net	296,852,628
	<u>303,738,044</u>
Financial liabilities	
Long-term loan	123,492,321
Accruals and other payables	30,058,372
Provision for zakat	9,624,070
	<u>163,174,763</u>

For assets and liabilities that are recognized in the interim condensed financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

19 FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are not materially different from their carrying values. There have been no transfers to and from Level 2 during the period.

20 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 12 Rabi Awal 1438H (corresponding 11 December 2016).

Reviewed by:

Mr. Walid Assad
Finance Manager

Approved by:

Mr. Faisal S. Aljaman
Chief Executive Officer

Approved by:

Mr. Faisal Al-Quraishi
Chairman