

AL AMTHAL FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND
REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

AL AMTHAL FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

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REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the Shareholders of Al Amthal Financing Company:
(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Al Amthal Financing Company (A Saudi Closed Joint Stock Company) (the "Company") as of September 30, 2018 and the related condensed interim statement of comprehensive income for the three months and nine months then ended, condensed interim statement of cash flows and condensed interim statement of changes in shareholders' equity for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" (IAS 34) as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. Our responsibility is to express a conclusion on these condensed interim 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 financial statements 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 statements are not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for the accounting of zakat and income tax.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Bader I. Benmohareb', is written over the PricewaterhouseCoopers logo.

Bader I. Benmohareb
License Number 471

October 25, 2018

AL AMTHAL FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	As at September 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)
Assets			
Cash and cash equivalents	5	84,817,249	31,738,620
Net investment in finance leases	6	227,523,283	232,627,837
Investments at fair value through other comprehensive income		892,850	892,850
Advances to suppliers		1,509,241	181,200
Prepaid expenses		1,633,250	3,641,324
Other current assets		8,590,870	8,555,137
Property and equipment		1,864,686	1,980,302
Total assets		326,831,429	279,617,270
Liabilities and Shareholders' equity			
Liabilities			
Accounts payable		14,356,254	22,995,297
Advances from customers		3,153,199	2,377,160
Accrued expenses and other liabilities		4,145,915	3,396,412
Provision for zakat		29,891,144	31,220,165
Borrowings	8	45,000,000	-
Provision for employee termination benefits		5,061,171	4,057,363
Total liabilities		101,607,683	64,046,397
Shareholders' equity			
Share capital	9	213,172,000	330,000,000
Proposed decrease in share capital	9	-	(116,828,000)
		213,172,000	213,172,000
Statutory reserve		3,739,910	3,739,910
Retained earnings / (accumulated losses)		8,311,836	(1,341,037)
Net shareholders' equity		225,223,746	215,570,873
Total Liabilities and shareholders' equity		326,831,429	279,617,270

The accompanying notes (1) through (12) form an integral part of these condensed interim financial statements.

AL AMTHAL FINANCING COMPANY
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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the three months ended September 30		For the nine months ended September 30	
		2018	2017	2018	2017
Income					
Finance lease revenue		8,396,219	9,018,439	26,139,352	19,924,760
Expenses					
Reversal of / (provision for) impairment - net	6.3	3,211,707	(8,377,186)	8,482,214	(13,942,021)
Salaries and employee related expenses		(6,266,950)	(5,828,895)	(18,377,540)	(18,197,402)
Other general and administrative expenses		(1,349,332)	(1,858,120)	(5,240,684)	(5,769,700)
Depreciation		(134,823)	(134,630)	(395,120)	(383,332)
Finance costs		(44,446)	(34,655)	(132,052)	(170,167)
		(4,583,846)	(16,233,486)	(15,663,182)	(38,462,622)
Operating income / (loss)		3,812,375	(7,215,047)	10,476,170	(18,537,862)
(Other expense) / income		(94,981)	233,870	153,428	845,478
Net income / (loss) for the period		3,717,394	(6,981,177)	10,629,598	(17,692,384)
Other comprehensive income		-	-	-	-
Total comprehensive income / (loss) for the period		3,717,394	(6,981,177)	10,629,598	(17,692,384)

The accompanying notes (1) through (12) form an integral part of these condensed interim financial statements.

AL AMTHAL FINANCING COMPANY
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CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30,
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the period		10,629,598	(17,692,384)
Adjustments for non-cash items:			
(Reversal of) / provision for impairment - net	6.3	(8,482,214)	13,942,021
Provision for employee termination benefits		1,789,872	587,364
Depreciation		395,120	383,332
Changes in operating assets and liabilities:			
Net investment in finance leases		13,586,768	(130,164,357)
Advances to suppliers		(1,328,041)	13,791,336
Prepaid expenses		2,008,074	4,833,536
Other current assets		(35,733)	2,468,869
Accounts payable		(8,639,043)	17,218,206
Advances from customers		776,039	(4,240,941)
Accrued expenses and other liabilities		749,503	4,933,335
Employee termination benefits paid		(786,064)	(171,759)
Zakat paid		(2,305,746)	-
Net cash generated from / (used in) operating activities		<u>8,358,133</u>	<u>(94,111,442)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(279,504)	(1,273,156)
Short-term deposit		-	26,000,000
Net cash (used in) / generated from investing activities		<u>(279,504)</u>	<u>24,726,844</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	8	45,000,000	-
Repayment of borrowings		-	(2,600,000)
Proceeds from a shareholder's loan	7	25,000,000	-
Repayment of loans from a shareholders	7	(25,000,000)	-
Net cash generated from / (used in) financing activities		<u>45,000,000</u>	<u>(2,600,000)</u>
Net change in cash and cash equivalents		53,078,629	(71,984,598)
Cash and cash equivalents at the beginning of the period		<u>31,738,620</u>	<u>107,275,526</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		<u>84,817,249</u>	<u>35,290,928</u>

The accompanying notes (1) through (12) form an integral part of these condensed interim financial statements.

AL AMTHAL FINANCING COMPANY
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CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30,
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Share capital	Proposed increase / (decrease) in share capital	Statutory reserve	Retained earnings / (accumulated losses)	Total
January 1, 2017		200,000,000	130,000,000	3,739,910	(81,789,060)	251,950,850
Adjustment on adoption of IFRS 9	6.2	-	-	-	(12,999,857)	(12,999,857)
Balance as at January 1, 2017		200,000,000	130,000,000	3,739,910	(94,788,917)	238,950,993
Increase in share capital		130,000,000	(130,000,000)	-	-	-
Net loss for the period		-	-	-	(17,692,384)	(17,692,384)
Zakat charge for the period		-	-	-	(4,346,921)	(4,346,921)
September 30, 2017		330,000,000	-	3,739,910	(116,828,222)	216,911,688
January 1, 2018		330,000,000	(116,828,000)	3,739,910	(1,341,037)	215,570,873
Decrease in share capital	9	(116,828,000)	116,828,000	-	-	-
Net income for the period		-	-	-	10,629,598	10,629,598
Zakat charge for the period		-	-	-	(976,725)	(976,725)
September 30, 2018		213,172,000	-	3,739,910	8,311,836	225,223,746

The accompanying notes (1) through (12) form an integral part of these condensed interim financial statements.

AL AMTHAL FINANCING COMPANY
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2018**

(All amounts in Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

Al Amthal Financing Company (the "Company"), is a Saudi closed joint stock company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010160349 dated Rabi Al-Thani 28, 1421H (corresponding to July 30, 2000). The Company principally undertakes leasing and financing of dealer equipment and vehicles under the license obtained from the Saudi Arabian Monetary Authority ("SAMA").

The Company has branches in Jeddah, Khobar and Abha. The results, assets and liabilities of these branches are included in these condensed interim financial statements. The registered office is located in Riyadh at the following address:

Al Amthal Financing Company
P.O. Box 300827
Riyadh 11372
Kingdom of Saudi Arabia

These condensed interim financial statements have been reviewed, not audited.

2. BASIS OF PREPARATION

- 2.1 The condensed interim financial statements of the Company as at and for the period ended September 30, 2018 have been prepared in accordance with the International Accounting Standard No. 34 "Interim Financial Reporting" (IAS 34) as modified by SAMA for the accounting of zakat and income tax.
- 2.2 These condensed interim financial statements do not include all information and disclosure required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2017.
- 2.3 The accounting and risk management policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2017 except for the change in accounting policy for employee termination benefits as follows:

The Company has changed its accounting policy to recognize the obligation for employee termination benefits. The new accounting policy will be in line with the requirements of IFRS and provide more reliable and relevant information. The change in accounting policy has been applied retrospectively, however, considering the effect of change in accounting policy was not significant, the financial impact of prior years has been accounted for in the current period financial statements. The previous and new accounting policies are presented below:

New accounting policy:

Employee termination benefits are payable as a lump sum to all employees, under the terms and conditions of Saudi Labor Laws applicable on the Company, on termination of their employment contracts. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of the Kingdom of Saudi Arabia.

The calculation of obligation is performed annually by an independent actuary using the projected unit credit method to make a reliable estimate of the ultimate cost to the Company of the benefit that employees have earned in return for their service in the current and prior periods. Actuarial gains or losses on re-measurement of obligation are recognized immediately in the interim statement of comprehensive income. Actuarial gains and losses represent changes in the present value of the obligation resulting from experience adjustments and the effects of changes in actuarial assumptions.

Previous accounting policy:

Employee termination benefits are payable as a lump sum to all employees, under the terms and conditions of Saudi Labor Laws applicable to the Company, on termination of their employment contracts. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of the Kingdom of Saudi Arabia.

The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

3. ADOPTION OF NEW STANDARDS AND AMENDMENTS

Standards and amendments effective after January 1, 2018

During 2017, the Company has early adopted IFRS 9 - Financial Instruments, issued in July 2014 with an initial application on January 1, 2018. So, that does not have any effect on these condensed interim financial statements.

Other new accounting standards including IFRS 15 - Revenue from contracts with customers, and amendments to existing accounting standards, effective from January 1, 2018 do not have any significant impact on the Company's condensed interim financial statements.

Standards and amendments effective after January 1, 2019

Based on the management's initial assessment, new accounting standards including IFRS 16 - Leases, and amendments to existing accounting standards, effective after January 1, 2019 do not have a significant impact on the Company's condensed interim financial statements.

4. USE OF JUDGMENTS AND ESTIMATES

The preparation of condensed interim financial statements 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 expense. Actual results may differ from these estimates. The interim results may not represent a proper indication of the annual results of operations. In preparing these condensed interim financial statements, 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 financial statements as at and for the year ended December 31, 2017.

5. CASH AND CASH EQUIVALENTS

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash in hand	20,000	20,000
Cash at banks	<u>84,797,249</u>	<u>31,718,620</u>
	<u>84,817,249</u>	<u>31,738,620</u>

6. NET INVESTMENT IN FINANCE LEASES

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

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Gross investment in finance leases	379,239,821	386,258,093
Unearned finance income	(54,261,721)	(60,778,611)
Unearned insurance revenue	<u>(46,038,400)</u>	<u>(50,127,707)</u>
Present value of minimum lease payments receivable	278,939,700	275,351,775
Unamortized transaction cost	(257,546)	(281,730)
Provision for impairment (Note 6.2)	<u>(51,158,871)</u>	<u>(42,442,208)</u>
Net investment in finance leases	<u>227,523,283</u>	<u>232,627,837</u>

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6.2 The movement in provision for impairment is as follows:

	September 30, 2018 (Unaudited)	December 31 2017 (Audited)
Opening balance	42,442,208	29,322,636
Adjustment on adoption of IFRS 9	-	12,999,857
January 1,	42,442,208	42,322,493
(Reversal) / provision during the period / year	(3,302,967)	28,287,115
Previously written-off receivable recognised and fully provided for	12,019,630	-
Written-off during the period / year	-	(21,376,226)
Transfer as part of repossessed assets held for sale	-	(6,791,174)
Closing balance	51,158,871	42,442,208

6.3 Reversals of (provision for) impairment - net

	For three months ended September 30 (Unaudited)		For the nine months end September 30 (Unaudited)	
	2018	2017	2018	2017
Reversal of / (provision for) impairment	2,332,454	(9,377,186)	3,302,967	(16,942,021)
Recoveries of amounts previously written-off	879,253	1,000,000	5,179,247	3,000,000
	3,211,707	(8,377,186)	8,482,214	(13,942,021)

6.4 Portfolio provision analysis

SR' 000 (Unaudited)										
	Current	< 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 180 days	181 to 270 days	271 to 360 days	Above 360 days	Total
September 30, 2018										
Expected loss rates (%)	6.84	10.25	10.90	13	15	25	50	75	100	
Carrying amount of portfolio	43,234	139,425	37,923	13,754	10,962	4,726	6,101	2,772	20,043	278,940
Impairment provision	2,955	14,285	4,133	1,788	1,644	1,182	3,050	2,079	20,043	51,159
SR' 000 (Audited)										
	Current	< 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 180 days	181 to 270 days	271 to 360 days	Above 360 days	Total
December 31, 2017										
Expected loss rates (%)	10.86	12.76	12.73	12.90	42.04	56.57	63.00	64 - 85	86 - 100	
Carrying amount of portfolio	70,115	142,301	32,722	14,354	3,539	4,434	2,811	473	4,603	275,352
Impairment provision	7,615	18,164	4,164	1,852	1,488	2,508	1,771	277	4,603	42,442

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7. SIGNIFICANT RELATED PARTY TRANSACTIONS

	For the nine months end September 30,	
	2018	2017
	(Unaudited)	(Unaudited)
Shareholders:		
Rental expenses	1,134,000	1,134,000
Loan received and repaid	25,000,000	-
Other related party:		
Finance lease income	25,417	271,491
Key management personnel:		
Salaries and other short term employee benefits	2,202,128	1,946,000
Retirement benefits expenses	100,739	65,824

8. BORROWINGS

The Company receive a loan amounting to SR 45 million from Social Development Bank ("SDB") in relation to Small and Medium Enterprises General Authority ("Monsha'at") program for financing small and medium enterprises in the Kingdom of Saudi Arabia. The loan received is non-interest bearing and is payable over three years based on monthly installments starting from January 1, 2019.

9. SHARE CAPITAL

	As at December 31, 2017		As at September 30, 2018		
	Percentage of ownership	Number of shares	Share capital	Number of shares	Share capital
Shareholders					
Al Bilad Establishment for Trading and Economy	45%	14,850,000	148,500,000	9,592,740	95,927,400
FAL Holding Arabia Company Limited	25%	8,250,000	82,500,000	5,329,300	53,293,000
Falcom Holding Company	20%	6,600,000	66,000,000	4,263,440	42,634,400
Sheikh Fahed Bin Mohammad Bin Saleh Alathel	10%	3,300,000	33,000,000	2,131,720	21,317,200
	100%	33,000,000	330,000,000	21,317,200	213,172,000

The Company obtained an updated commercial registration certificate reflecting its reduced share capital, which was approved by the shareholders'.

10. CONTINGENCIES AND COMMITMENTS

Contingencies

There are no significant changes in contingencies related to zakat as disclosed in the annual financial statements for the year ended December 31, 2017.

Commitments

As at September 30, 2018, the Company's commitments to extend credit on lease contracts amounted to SR 5.78 million (December 31, 2017: SR 0.24 million).

11. RECLASSIFICATIONS

Certain prior year figures have been reclassified to conform to the current year's and more appropriate presentation. However, the effect of those reclassifications was not significant.

12. DATE OF APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The Board of Directors on October 22, 2018 approved the accompanying condensed interim financial statements.