

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018 AND
INDEPENDENT AUDITORS' REVIEW REPORT

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

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018

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REPORT ON REVIEW OF 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 March 31, 2018 and the related condensed statement of comprehensive income, cash flow statement and statement of changes in shareholders' equity for the three months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" (IAS 34) as modified by 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 do not present fairly, in all material respects, the financial position of the entity as at March 31, 2018, and its financial performance and its cash flows for the three month period then ended in accordance with IAS 34 as modified by SAMA for the accounting of zakat and income tax.

PricewaterhouseCoopers

By: 
Yaseen Abu Alkheer
License Number 375

April 23, 2018

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

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

	Note	As at March 31, 2018 (Unaudited)	As at December 31, 2017 (Audited)
ASSETS			
Cash and cash equivalents	4	24,912,522	31,738,620
Net investment in finance leases	5	218,533,488	232,627,837
Advances for investment		892,850	892,850
Prepaid expenses and advances to suppliers		11,865,342	3,822,524
Other current assets		11,404,541	8,555,137
Property and equipment		1,857,529	1,980,302
TOTAL ASSETS		269,466,272	279,617,270
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable		8,223,568	22,995,297
Advances from customers		2,253,449	2,377,160
Accrued expenses and other liabilities		3,836,494	3,396,412
Provision for zakat		31,545,739	31,220,165
Provision of employee termination benefits		4,903,219	4,057,363
Total liabilities		50,762,469	64,046,397
Shareholders' equity			
Share capital		330,000,000	330,000,000
Proposed decrease in share capital		(116,828,000)	(116,828,000)
Statutory reserve		3,739,910	3,739,910
Retained earnings / (losses)		1,791,893	(1,341,037)
Total shareholders' equity		218,703,803	215,570,873
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		269,466,272	279,617,270

The accompanying notes (1) through 9) form an integral part of these condensed interim financial statements.

AL AMTHAL FINANCING COMPANY
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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS - UNAUDITED
FOR THE THREE MONTHS PERIOD ENDED MARCH 31,
(All amounts are in Saudi Riyals ("SR") unless otherwise stated)

	Note	<u>2018</u>	<u>2017</u>
Income			
Finance lease revenue		9,246,344	3,296,181
Expenses			
Reversal / (provision) for impairment – net	5.3	2,320,754	210,565
Salaries and employee related expenses		(6,067,899)	(6,278,043)
Other general and administrative expenses		(2,021,806)	(2,034,554)
Depreciation		(130,687)	(108,379)
Finance costs		(42,563)	(55,915)
Operating Income/ (loss)		3,304,143	(4,970,145)
Other income		154,362	518,370
Income/ (loss) for the period		3,458,505	(4,451,775)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		3,458,505	(4,451,775)

The accompanying notes (1) through (9) 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 THREE MONTHS PERIOD ENDED MARCH 31,
(All amounts are in Saudi Riyals ("SR") unless otherwise stated)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income/(loss) for the period	3,458,505	(4,451,775)
Adjustments for non-cash items:		
Provision for impairment	(2,320,754)	(210,565)
Provision for employee termination benefits	1,247,382	417,603
Depreciation	130,689	108,379
Changes in operating assets and liabilities:		
Net investment in finance leases	16,415,103	(75,595,788)
Prepaid expenses and advances to suppliers	(8,042,818)	2,738,222
Other current assets	(2,849,404)	1,295,415
Accounts payable	(14,771,729)	10,378,207
Advances from customers	(123,711)	(3,198,466)
Accrued expenses and other liabilities	440,082	1,527,758
Employee termination benefits paid	(401,527)	(83,685)
Net cash used in operating activities	(6,818,182)	(67,074,695)
CASH FLOWS FROM INVESTING ACTIVITY		
Additions to property and equipment	(7,916)	(558,706)
Net cash used in investing activity	(7,916)	(558,706)
CASH FLOWS FROM FINANCING ACTIVITY		
Repayment of borrowings	-	(1,300,000)
Net cash used in financing activity	-	(1,300,000)
Net change in cash and cash equivalents	(6,826,098)	(68,933,401)
Cash and cash equivalents at beginning of the period	31,738,620	107,275,526
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	24,912,522	38,342,125

The accompanying notes (1) through (9) 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 THREE MONTHS PERIOD ENDED March 31,
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Share capital	Proposed increase/ (decrease) in share capital	Statutory reserve	Retained earnings / (losses)	Total
December 31, 2016		200,000,000	130,000,000	3,739,910	(81,789,060)	251,950,850
Adjustment on adoption of IFRS 9	5.2				(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
Net loss for the period		-	-	-	(4,451,775)	(4,451,775)
Zakat charge for the period		-	-	-	(411,024)	(411,024)
March 31, 2017		<u>200,000,000</u>	<u>130,000,000</u>	<u>3,739,910</u>	<u>(99,651,716)</u>	<u>234,088,194</u>
January 1, 2018		330,000,000	(116,828,000)	3,739,910	(1,341,037)	215,570,873
Net Income for the period		-	-	-	3,458,505	3,458,505
Zakat charge for the period		-	-	-	(325,575)	(325,575)
March 31, 2018		<u>330,000,000</u>	<u>(116,828,000)</u>	<u>3,739,910</u>	<u>1,791,893</u>	<u>218,703,803</u>

The accompanying notes (1) through (9) 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 (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 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 obtain from the Saudi Arabian Monetary Authority ("SAMA").

The Company has branches in Jeddah, Khobar and Abha. 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 quarter ended March 31, 2017 have been prepared using the International Accounting Standard 34 "Interim Financial Reporting" 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.
- 2.4 New accounting standards (including IFRS 15 Revenue from contracts with customers and IFRS 16 Leases) and amendments to existing accounting standards, effective from January 1, 2018 and thereafter, which were not early adopted by the Company, do not have any significant effect on the Company's financial statements.

3. Use of judgments and estimates

The preparation of 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 applied to the statutory financial statements as at and for the period ended December 31, 2017.

4. CASH AND CASH EQUIVALENTS

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash in hand	20,000	20,000
Cash at banks	24,892,522	31,718,620
	24,912,522	31,738,620

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5. Net investment in finance leases

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Gross investment in finance leases	364,100,410	386,258,093
Unearned finance income	(55,749,911)	(60,778,611)
Unearned insurance revenue	(46,902,964)	(50,127,707)
Present value of minimum lease payments receivable	261,447,535	275,351,775
Unamortized transaction cost	(88,681)	(281,730)
Provision for impairment	(42,825,366)	(42,442,208)
Net investment in finance leases	218,533,488	232,627,837

5.2 The movement in impairment provision for finance leases receivable was as follows:

	March 31, 2018 (Unaudited)	December 31 2017 (Audited)
Opening balance	42,442,208	29,322,636
Adjustment on adoption of IFRS 9 January 1,	-	12,999,857
	42,442,208	42,322,493
Charge for the period / year	383,158	28,287,115
Written-off during the period / year	-	(21,376,226)
Transfer as part of repossessed assets held for sale	-	(6,791,174)
Closing balance	42,825,366	42,442,208

5.3 Provision for impairment - net

	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Impairment provision charge	383,158	789,435
Recoveries after written - off	(2,703,912)	(1,000,000)
	(2,320,754)	(210,565)

5.4 Portfolio provision analysis

	SR' 000									Total
	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	
March 31, 2018										
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	53,418	137,203	29,542	20,717	6,391	4,763	2,830	2,190	4,394	261,448
Impairment provision	5,845	19,277	4,147	3,373	1,101	1,195	1,944	1,549	4,394	42,825
	SR' 000									
	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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6. Related party transactions

Significant related party transactions during the period were as follows:

	March 31, 2018 (Unaudited)	March 31, 2017 (Unaudited)
Shareholders:		
Rental expenses	378,000	378,000
Key management personnel:		
Salaries and other short term employee benefits	751,643	742,800
Retirement benefits	26,199	23,634

7. Contingency and commitments

Contingency

There is no significant changes in contingency related to zakat and income tax as disclosed in the annual financial statements for the year ended December 31, 2017.

Commitments

As at March 31, 2018 and December 31, 2017, the Company's commitments to extend credit on lease contracts amounted to SR 6.2 million and SR 0.24 million, respectively.

8. Comparatives

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

9. Date of approval of condensed interim financial statements

The Board of Directors on 23rd April 2018 approved the accompanying condensed interim financial statements.