

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

CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED JUNE 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 SIX MONTHS PERIOD ENDED JUNE 30, 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 June 30, 2018 and the related condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in shareholders' equity for the six months period 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, consisting of a large, stylized 'B' and 'I' followed by several horizontal strokes.

By: \_\_\_\_\_  
Bader I. Benmohareb  
License Number 471

July 23, 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 June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)
<b>Assets</b>			
Cash and cash equivalents	5	56,437,981	31,738,620
Net investment in finance leases	6	226,100,437	232,627,837
Investments at fair value through other comprehensive income		892,850	892,850
Advances to suppliers		3,274,576	181,200
Prepaid expenses		5,877,483	3,641,324
Other assets		10,494,899	8,555,137
Property and equipment		1,824,392	1,980,302
<b>Total assets</b>		<b>304,902,618</b>	<b>279,617,270</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities</b>			
Accounts payable		16,186,140	22,995,297
Advances from customers		3,001,621	2,377,160
Accrued expenses and other liabilities		3,077,057	3,396,412
Provision for zakat		30,553,745	31,220,165
Loan from a shareholder	7	25,000,000	-
Provision for employee termination benefits		5,252,127	4,057,363
<b>Total liabilities</b>		<b>83,070,690</b>	<b>64,046,397</b>
<b>Shareholders' Equity</b>			
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 / (accumulated losses)		4,920,018	(1,341,037)
<b>Net shareholders' equity</b>		<b>221,831,928</b>	<b>215,570,873</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>304,902,618</b>	<b>279,617,270</b>

The accompanying notes (1) through (10) form an integral part of these condensed interim financial statements.

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

	Note	For the three months ended June 30		For the six months ended June 30	
		2018	2017	2018	2017
<b>Income</b>					
Finance lease revenue		8,496,789	7,610,140	17,743,133	10,906,321
<b>Expenses</b>					
Reversal of / (provision for) impairment - net	6.3	2,949,753	(5,774,008)	5,270,507	(5,553,443)
Salaries and employee related expenses		(6,042,691)	(6,090,464)	(12,110,590)	(12,368,507)
Other general and administrative expenses		(1,869,546)	(1,876,444)	(3,891,352)	(3,910,998)
Depreciation		(129,610)	(140,905)	(260,297)	(249,284)
Finance costs		(45,043)	(79,597)	(87,606)	(135,512)
<b>Operating income / (loss)</b>		<b>3,359,652</b>	<b>(6,351,278)</b>	<b>6,663,795</b>	<b>(11,311,423)</b>
Other income		94,048	91,846	248,410	600,216
<b>Income / (loss) for the period</b>		<b>3,453,700</b>	<b>(6,259,432)</b>	<b>6,912,205</b>	<b>(10,711,207)</b>
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income / (loss) for the period</b>		<b>3,453,700</b>	<b>(6,259,432)</b>	<b>6,912,205</b>	<b>(10,711,207)</b>

The accompanying notes (1) through (10) form an integral part of these condensed interim financial statements.

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

**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30,**  
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income / (loss) for the period		6,912,205	(10,711,207)
<b>Adjustments for non-cash items:</b>			
(Reversal of) / provision for impairment - net	6.3	(5,270,507)	5,553,443
Provision for employee termination benefits		1,606,430	493,616
Depreciation		260,297	249,284
<b>Changes in operating assets and liabilities:</b>			
Net investment in finance leases		11,797,907	(120,957,607)
Advances to suppliers		(3,093,376)	9,368,944
Prepaid expenses		(2,236,159)	1,957,808
Other assets		(1,939,762)	(1,062,796)
Short term deposits		-	26,000,000
Accounts payable		(6,809,157)	22,630,033
Advances from customers		624,461	(3,915,529)
Accrued expenses and other liabilities		(319,355)	4,109,177
Employee termination benefits paid		(411,666)	(119,468)
Zakat paid		(1,317,570)	-
<b>Net cash used in operating activities</b>		<b>(196,252)</b>	<b>(66,404,302)</b>
<b>CASH FLOWS FROM AN INVESTING ACTIVITY</b>			
Additions to property and equipment		(104,387)	(1,091,830)
<b>Net cash used in an investing activity</b>		<b>(104,387)</b>	<b>(1,091,830)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from a shareholder's loan		25,000,000	-
Repayment of borrowings		-	(1,300,000)
<b>Net cash generated from (used in) financing activities</b>		<b>25,000,000</b>	<b>(1,300,000)</b>
<b>Net change in cash and cash equivalents</b>		<b>24,699,361</b>	<b>(68,796,132)</b>
Cash and cash equivalents at beginning of the period		31,738,620	107,275,526
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>56,437,981</b>	<b>38,479,394</b>

The accompanying notes (1) through (10) form an integral part of these condensed interim financial statements.

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

**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - UNAUDITED**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 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
December 31, 2016		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		-	-	-	(10,711,207)	(10,711,207)
Zakat charge for the period		-	-	-	(862,917)	(862,917)
June 30, 2017		<u>330,000,000</u>	<u>-</u>	<u>3,739,910</u>	<u>(106,363,041)</u>	<u>227,376,869</u>
January 1, 2018		<b>330,000,000</b>	<b>(116,828,000)</b>	<b>3,739,910</b>	<b>(1,341,037)</b>	<b>215,570,873</b>
Net income for the period		-	-	-	6,912,205	6,912,205
Zakat charge for the period		-	-	-	(651,150)	(651,150)
June 30, 2018		<u>330,000,000</u>	<u>(116,828,000)</u>	<u>3,739,910</u>	<u>4,920,018</u>	<u>221,831,928</u>

The accompanying notes (1) through (10) 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 SIX MONTHS PERIOD ENDED JUNE 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 June 30, 2018 have been prepared in accordance with 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.

The condensed interim statement of financial position is stated boldly in order of liquidity.

- 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 are 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 Law 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 a date of initial application of 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 any 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**

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash in hand	20,000	20,000
Cash at banks	<u>56,417,981</u>	<u>31,718,620</u>
	<u>56,437,981</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:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Gross investment in finance leases	383,879,340	386,258,093
Unearned finance income	(56,436,197)	(60,778,611)
Unearned insurance revenue	<u>(47,203,325)</u>	<u>(50,127,707)</u>
Present value of minimum lease payments receivable	280,239,818	275,351,775
Unamortized transaction cost	(148,056)	(281,730)
Provision for impairment (Note 6.2)	<u>(53,991,325)</u>	<u>(42,442,208)</u>
Net investment in finance leases	<u>226,100,437</u>	<u>232,627,837</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018**  
(All amounts in Saudi Riyals unless otherwise stated)

6.2 The movement in provision for impairment is as follows:

	June 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, (Reversal) / provision during the period / year	42,442,208 (970,513)	42,322,493 28,287,115
Previously written-off receivable recognised and fully provided for	12,519,630	-
Written-off during the period / year	-	(21,376,226)
Transfer as part of repossessed assets held for sale	-	(6,791,174)
Closing balance	<u>53,991,325</u>	<u>42,442,208</u>

6.3 Provision for impairment - net

	For three months ended June 30 (Unaudited)		For the six months end June 30 (Unaudited)	
	2018	2017	2018	2017
Reversal of / (provision for) impairment	1,353,671	(6,775,400)	970,513	(7,564,835)
Recoveries of amounts previously written-off	1,596,082	1,001,392	4,299,994	2,011,392
	<u>2,949,753</u>	<u>(5,774,008)</u>	<u>5,270,507</u>	<u>(5,553,443)</u>

6.4 Portfolio provision analysis

	SR' 000 (Unaudited)									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	
<b>June 30, 2018</b>										
Expected loss rates	8.95	10.51	10.48	10.63	36.35	49.13	54.78	55 - 99	100.00	
Carrying amount of portfolio	50,633	123,659	40,236	22,136	8,258	10,390	4,087	2,626	18,215	280,240
Impairment provision	4,530	13,002	4,217	2,353	3,002	5,104	2,239	1,329	18,215	53,991
<b>December 31, 2017</b>										
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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**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2018**  
(All amounts in Saudi Riyals unless otherwise stated)

**7. RELATED PARTY TRANSACTIONS**

7.1 Significant related party transactions during the period were as follows:

	For three months ended		For the six months end	
	2018	June 30 2017	2018	June 30 2017
<b>Shareholders:</b>				
Rental expenses	378,000	378,000	756,000	756,000
Loan obtained from a shareholder (Note 7.2)	25,000,000	-	25,000,000	-
<b>Other related party:</b>				
Finance lease income	7,917	96,779	15,373	247,162
<b>Key management personnel:</b>				
Salaries and other short term employee benefits	725,243	649,700	1,476,885	1,392,500
Retirement benefits expenses	26,564	22,454	52,764	46,089

7.2 Loan from a shareholder does not bear any commission and is payable on demand until the increase in share capital of the Company.

**8. 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 June 30, 2018 and December 31, 2017, the Company's commitments to extend credit on lease contracts amounted to SR 7.8 million and SR 0.24 million, respectively.

**9. RECLASSIFICATIONS**

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.

**10. DATE OF APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS**

The Board of Directors on July 18, 2018 approved the accompanying condensed interim financial statements.