

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

FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2016 TOGETHER
WITH THE INDEPENDENT AUDITORS' REPORT

AL AMTHAL FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Table of contents	Page
Independent auditors' report	1
Statement of financial position	2
Statement of comprehensive loss	3
Statement of cash flows	4
Statement of changes in shareholders' equity	5
Notes to the financial statements	6 - 20



INDEPENDENT AUDITORS' REPORT

9 February 2016

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

Scope of audit

We have audited the accompanying statement of financial position of Al Amthal Financing Company (a Saudi Closed Joint Stock Company) (the "Company") as at 31 December 2016 and the related statements of comprehensive loss, cash flows and changes in shareholders' equity for the year then ended and notes from (1) to (25) which form an integral part of these financial statements. These financial statements, which were prepared by the Company in accordance with the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

In our opinion, such financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Company as of 31 December 2016 and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards (IFRS) appropriate to the circumstances of the Company; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of financial statements.

PricewaterhouseCoopers

A blue ink signature, appearing to be 'Khalid A. Mahdhar', written over a horizontal line.

By:

Khalid A. Mahdhar
License Number 368

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

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

	Note	As at December 31,	
		2016	2015
ASSETS			
Cash and cash equivalents	4	107,275,526	113,980,976
Short-term deposit	5	26,000,000	26,000,000
Net investment in finance leases	6	133,862,942	169,414,438
Due from a related party	7	-	255,493
Prepayments and other assets	8	34,607,829	14,905,968
Property and equipment	9	1,195,580	2,103,929
TOTAL ASSETS		302,941,877	326,660,804
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable		3,591,316	10,000
Advances from customer		8,121,643	1,764,831
Accrued expenses and other liabilities	10	2,369,177	1,523,652
Provision for zakat and income tax	11	29,220,226	25,445,970
Borrowings	12	2,600,000	7,800,000
Provision for employee termination benefits	13	5,088,665	5,197,482
Total liabilities		50,991,027	41,741,935
Shareholders' equity			
Share capital	14.1	200,000,000	200,000,000
Proposed increase in share capital	14.2	130,000,000	130,000,000
Statutory reserve	15	3,739,910	3,739,910
Accumulated losses		(81,789,060)	(48,821,041)
Net shareholders' equity		251,950,850	284,918,869
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		302,941,877	326,660,804
CONTINGENCY AND COMMITMENTS	20		

The accompanying notes on pages 6 to 20 form an integral part of these financial statements.

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

STATEMENT OF COMPREHENSIVE LOSS
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2016	For the period from November 30, 2014 to December 31, 2015
Income			
Finance lease revenue	16	14,442,312	29,282,444
Expenses			
Finance cost	17	(353,826)	(681,717)
Provision for impairment	6.5	(18,986,679)	(33,633,071)
Salaries and employee related expenses		(17,107,202)	(18,069,578)
General and administrative expenses	18	(7,847,842)	(8,545,998)
Depreciation	9	(1,252,396)	(1,679,701)
Operating loss		(31,105,633)	(33,327,621)
Other income	19	1,911,870	2,274,422
Loss before zakat		(29,193,763)	(31,053,199)
Zakat charge for the year/ period	11	(3,774,256)	(4,836,718)
Net loss for the year/ period		(32,968,019)	(35,889,917)
Other comprehensive income		-	-
Total comprehensive loss for the year/ period		(32,968,019)	(35,889,917)

The accompanying notes on pages 6 to 20 form an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS

(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2016	For the period from November 30, 2014 to December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before zakat		(29,193,763)	(31,053,199)
Adjustments for non-cash items:			
Depreciation	18	1,252,396	1,679,701
Provision for impairment - net	6.4	18,986,679	33,633,071
Provision for employee termination benefits	13	756,911	672,919
Changes in operating assets and liabilities:			
Net investment in finance leases		16,564,817	48,939,492
Due from a related party		255,493	766,482
Prepayments and other assets		(19,701,861)	12,673,354
Accounts payable		3,581,316	(199,000)
Advances from customer		6,356,812	(2,638,225)
Accrued expenses and other liabilities		845,525	(173,466)
Employee termination benefits paid	13	(865,728)	(1,392,382)
Zakat paid	11	-	(217,440)
Net cash (used in) generated from operating activities		(1,161,403)	62,691,307
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	9	(457,101)	(498,759)
Proceeds from sale of property and equipment		113,054	16,721
Net cash used in investing activities		(344,047)	(482,038)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(5,200,000)	(6,500,000)
Net cash used in financing activities		(5,200,000)	(6,500,000)
Net change in cash and cash equivalents		(6,705,450)	55,709,269
Cash and cash equivalents at the beginning of the year/ period	4	113,980,976	58,271,707
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/ PERIOD	4	107,275,526	113,980,976
Supplemental information:			
Conversion of loan to proposed increase in share capital	7	-	104,000,000
Contribution for proposed increase in share capital - restricted cash	5,7	-	26,000,000

The accompanying notes on pages 6 to 20 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Proposed increase in share capital	Statutory reserve	Accumulated losses	Total
Balance at November 29, 2014		20,000,000	180,000,000	3,739,910	(12,931,124)	190,808,786
Proposed increase in share capital	14	180,000,000	(180,000,000)	-	-	-
Net loss for the period from November 30, 2014 to December 31, 2015		-	-	-	(35,889,917)	(35,889,917)
Proposed increase in share capital	14	-	130,000,000	-	-	130,000,000
Balance at December 31, 2015		200,000,000	130,000,000	3,739,910	(48,821,041)	284,918,869
Net loss for the year		-	-	-	(32,968,019)	(32,968,019)
Balance at December 31, 2016		200,000,000	130,000,000	3,739,910	(81,789,060)	251,950,850

The accompanying notes on pages 6 to 20 form an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
(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 general investment authority No. 102030104467 dated Zul Al-Hijjah 17, 1430 H. (corresponding to December 5, 2009).

The Company has branches in Jeddah, Khobar and Madina. 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

The Company submitted its application to the Saudi Arabian Monetary Authority ("SAMA") to obtain a license to practice the leasing activity in the Kingdom of Saudi Arabia. To comply with the SAMA regulations, the Company's shareholders resolved to convert the Company from a limited liability company to a closed joint stock company and the related approval was received from Ministry of Commerce and Industries effective Safar 8, 1436H (corresponding to November 30, 2014). Accordingly, in 2014 the Company prepared its financial statements from January 1, 2014 to November 29, 2014.

As per the Company's By-laws, the Company's first financial period, under the closed joint stock status, started from the date of conversion (November 30, 2014) to December 31, 2015. The Company's financial statements for the subsequent years will begin on January 1 and end on December 31 of each Georgian year. Accordingly, the last year financial statements was prepared for the period from November 30, 2014 to December 31, 2015.

2. Summary of significant accounting policies

The principle accounting policies consistently applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Historical cost convention

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policy below.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

2.3 Foreign currency translations

(a) Functional and presentation currency

These financial statements are presented in Saudi Riyals ("SR") which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income or loss.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and short-term highly liquid investments, with original maturities up to three months, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

2.5 Net investment in finance leases

Leases in which the Company transfers substantially all the risk and rewards incidental to the ownership of an asset to the lessees are classified as finance lease. Finance leases are recorded at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments ("PVMLP") and subsequently measured at amortized cost using effective commission rate.

Gross investment in finance leases include the total of future lease payments on finance leases including residual amount receivable ("Lease rentals"). Security deposits with right to offset against lease rentals are deducted from gross investments in finance lease. The difference between lease rentals and the cost of the leased asset including transaction costs is recorded as unearned finance income.

For presentation purposes, the unearned finance income and impairment provision for lease losses is deducted from the gross investment in finance leases.

2.6 Repossessed assets held for sale

The Company in the ordinary course of its business, acquires certain vehicles and other assets against settlement of loans and advances. Such assets are considered as assets held for sale and are initially recorded at the lower of the net realizable value of related loans and advances or the current fair value of the related assets, less any cost to sell.

Subsequent to the initial recognition, these assets owned are periodically revalued and are carried at lower of their carrying values or the related net realizable value. Rental income, realized gain or losses on disposal and unrealized losses on evaluation are credited or charged to the comprehensive income / loss.

2.7 Short-term deposits

Short-term deposits include placements with banks and other short-term highly liquid investments with original maturities of more than three months but not more than one year from the purchase date.

2.8 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment, if any, except construction in progress which is carried at cost, less accumulated impairment, if any. Land is not depreciated. Depreciation is charged to the statement of comprehensive income or loss, using the straight-line method, to allocate the carrying value over the estimated useful lives, as follows:

	Number of years
• Leasehold improvements	Shorter of 5-10 or the lease period
• Vehicles	4
• Furniture, fixtures and office equipment	5-10
• Computers and software	4-5

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of comprehensive income or loss.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

All other repairs and maintenance are charged to the statement of comprehensive income or loss during the financial year in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.9 Impairment of financial and non-financial assets

Financial assets at amortized cost

Impairment assessment for all individually significant financial assets is done at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired based on the following:

- Default or delinquency by the counter party; and
- Indications that the counter party will enter bankruptcy.

If such evidence exist, an impairment loss is recognized in the statement of comprehensive income or loss based on the present value of expected future cash flows (generated from customers or sale of collaterals) discounted at the original effective commission rate.

Other than individually significant financial assets are also collectively assessed by the management for impairment at each reporting date based on the probability of default calculated on historical trend and other factors.

Financial assets are written-off only in circumstances where there are no realistic prospects of recovery.

Non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income or loss.

2.10 Accounts payable and accruals

Liabilities are obligations to pay for goods and services received, whether or not billed to the Company. Trade payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.11 Borrowings and related cost

Borrowings are recognized initially at fair value, net of transactions cost. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognized in the statement of comprehensive income or loss over the period of the borrowings using the effective interest method.

General and specific borrowings cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in statement of comprehensive income or loss in the period in which they are incurred.

2.12 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the statement of comprehensive income or loss. The liability is calculated; as the current value of the vested benefits to which the employee is entitled, if the employee decided to leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

2.13 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.14 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Finance lease income is recognized over the term of the lease using the effective yield method and other income are recognized on accrual basis as the services are rendered.

2.15 Operating leases

Rental expenses under operating leases are charged to the statement of comprehensive income or loss over the period of the respective lease. Other income is recognized on the accrual basis in accordance with the terms of the contracts.

2.16 Zakat and income tax

In accordance with the regulations of the Zakat and Income Tax, the Company is subject to zakat attributable to the Saudi shareholder and to income taxes attributable to the foreign shareholder. Provisions for zakat and income taxes are charged to the statement of comprehensive income or loss and equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

2.17 Financial assets and financial liabilities

Financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be. These assets and liabilities are off set and the net amount is reported in the statement of financial position if the Company has a legal right to set off the transaction and also intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.18 New standards, amendments to standards and interpretations

There is no new standard or amendment to the existing standard effective during the year that has significant effect on the Company's financial statements.

Further, the Company has chosen not to early adopt the following published new standards and revisions to existing standards, which are relevant to the operations of the Company:

- IFRS 9: Financial instruments (effective date January 1, 2018)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. The Company is in process to assess the implications of IFRS 9.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

• IFRS 16: Leases (effective date January 1, 2019)

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its lease as operating leases or finance leases, and to account for those two types of lease differently. IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. As per the management initial assessment there will be no significant impact of this new standards on the Company's financial statements.

The other new or amended standards including IFRS 15 Revenue from customers (effective 1 January 2018) are not expected to have a significant impact on the Company's financial statements.

3. Critical accounting estimates and assumptions

The preparation of the financial statements in conformity with IFRSs 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 expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

- 1- Impairment provision-note 2.9 and note 6
- 2- Provision of zakat and income tax – note 11

4. Cash and cash equivalents

	<u>2016</u>	<u>2015</u>
Cash in hand	20,000	10,000
Cash at banks	7,255,526	73,900,391
Murabaha investment in bank	100,000,000	40,070,585
	<u>107,275,526</u>	<u>113,980,976</u>

5. Short-term deposit

Short-term deposit represents restricted cash held with bank till completion of legal formalities related to proposed increase in share capital.

6. Net investment in finance leases

6.1 Reconciliation between gross and net investment in finance leases

	<u>2016</u>	<u>2015</u>
Gross investment in finance leases	211,581,142	274,731,027
Unearned finance income	(27,038,942)	(32,071,013)
Unearned insurance revenue	(21,356,622)	(15,539,229)
Present value of minimum lease payments receivable	163,185,578	227,120,785
Provision for impairment	(29,322,636)	(57,706,347)
Net investment in finance leases	<u>133,862,942</u>	<u>169,414,438</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

6.2 Maturity profile of gross investment in finance and present value of minimum lease payments receivables is as follows:

	2016	2015
Gross investment in finance leases		
Within one year	115,934,688	179,897,010
From one to three years	79,601,642	88,263,767
Three to five years	16,044,812	6,570,250
	<u>211,581,142</u>	<u>274,731,027</u>
Present value of minimum lease payments receivable		
Within one year	87,121,953	146,575,534
From one to three years	63,303,857	74,589,311
Three to five years	12,759,768	5,955,940
	<u>163,185,578</u>	<u>227,120,785</u>

6.3 Credit quality analysis of investment in finance leases is as follows:

	2016	2015
Gross investment in finance lease		
Not past due	105,690,245	79,447,503
Past due	105,890,897	195,283,524
	<u>211,581,142</u>	<u>274,731,027</u>
Net investment in finance lease		
Not past due	78,188,760	59,770,310
Past due	84,996,818	167,350,475
	<u>163,185,578</u>	<u>227,120,785</u>

6.4 The movement in impairment provision for finance leases is as follows:

	2016	2015
Opening balance	57,706,347	26,347,210
Charge for the year/period	18,986,679	33,633,071
Written-off	(31,772,174)	(2,273,934)
Transfer as part of repossessed assets held for sale	(15,598,216)	-
Closing balance	<u>29,322,636</u>	<u>57,706,347</u>

6.5 The Company currently generates substantially all of its revenues from leasing of motor vehicles, heavy equipment and machinery in the Kingdom of Saudi Arabia. Finance leases receivables of the Company are primarily related to corporate customers. The credit risk on net investment in finance leases is generally mitigated by the retention of legal title documents on leased assets.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

7. Related party transactions and balances

Significant related party transactions during the year/period were as follows:

	For the year end December 31 2016	For the period from November 30, 2014 to December 31, 2015
Shareholders		
Cash received for proposed increase in share capital	-	26,000,000
Conversion of loan to proposed increase in share capital	-	104,000,000
Rental expenses	1,505,000	2,708,333
Other related parties		
Finance lease income	1,072,446	1,515,232
Key management compensation		
Salaries and other short term employee benefits	2,089,917	2,964,805
Retirement benefits	72,108	128,434

Key management personnel of the Company include directors and senior management.

Significant related party balances as at balance sheet dates are disclosed as due from related party (FAL Motors Company Ltd) and net investment in finance lease include SR 2.1 million related to related party.

8. Prepayments and other assets

	Note	2016	2015
Advances to suppliers		14,971,492	781,650
Prepaid expenses		8,037,100	7,590,645
Repossessed assets held for sale - net of provisions	8.1	5,272,944	475,575
Receivables from employees		3,214,980	3,039,504
Recoverable claims and penalties		2,674,070	2,347,765
Other		437,243	670,829
		34,607,829	14,905,968

8.1 Repossessed assets held for sale

	2016	2015
Gross receivables	20,871,160	475,575
Provision transferred from net investment in finance leases - note 5.2	15,598,216	-
	5,272,944	475,575

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

9. Property and equipment

	Leasehold improvements	Vehicles	Furniture, fixtures and office equipment	Computers and software	Total
Cost:					
January 1, 2016	12,165,275	146,667	7,083,026	8,471,554	27,866,522
Additions	-	-	254,996	202,105	457,101
Disposal	-	(146,667)	-	-	(146,667)
December 31, 2016	12,165,275	-	7,338,022	8,673,659	28,176,956
Accumulated depreciation:					
January 1, 2016	11,105,953	-	6,485,425	8,171,215	25,762,593
Charge for the year	890,158	33,613	204,972	123,653	1,252,396
Disposal	-	(33,613)	-	-	(33,613)
December 31, 2016	11,996,111	-	6,690,397	8,294,868	26,981,376
Net book value:					
December 31, 2016	169,164	-	647,625	378,791	1,195,580

	Leasehold improvements	Vehicles	Furniture, fixtures and office equipment	Computers and software	Total
Cost:					
November 30, 2014	12,162,075	53,500	6,839,609	8,369,469	27,424,653
Additions	3,200	146,667	243,417	105,475	498,759
Disposal	-	(53,501)	-	(3,390)	(56,891)
December 31, 2015	12,165,275	146,666	7,083,026	8,471,554	27,866,521
Accumulated depreciation:					
November 30, 2014	9,844,429	25,636	6,191,798	8,061,198	24,123,061
Charge for the period	1,261,523	11,145	293,627	113,406	1,679,701
Disposal	-	(36,781)	-	(3,389)	(40,170)
December 31, 2015	11,105,952	-	6,485,425	8,171,215	25,762,592
Net book value:					
December 31, 2015	1,059,323	146,666	597,601	300,339	2,103,929

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

10. Accrued expenses and other liabilities

	<u>2016</u>	<u>2015</u>
Accrued salaries, wages and benefits	887,910	745,176
Accrued professional fees	615,000	480,000
Other	866,267	298,476
	<u>2,369,177</u>	<u>1,523,652</u>

11. Provision for zakat and income tax

Provision of zakat is calculated at 2.5% based on adjusted net income or zakat base, whichever is higher. The related movement is as follows:

	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year/period	25,445,970	20,826,692
Charged for the year/period	3,774,256	4,836,718
Paid during the year/period	-	(217,440)
Closing balance	<u>29,220,226</u>	<u>25,445,970</u>

The calculation of estimated adjusted net income and zakat base is as follows:

	<u>2016</u>	<u>2015</u>
Loss for the year/period	(29,193,763)	(31,053,199)
Provision for impairment	18,986,679	33,633,071
Provision of employees' termination benefits	(108,817)	(719,463)
Adjusted net income	<u>(10,315,901)</u>	1,860,409
Adjustments opening balance		
Share capital and proposed increase therein	330,000,000	200,000,000
Statutory reserves	3,739,910	3,739,910
Retained earnings	(48,821,041)	(12,931,124)
Provision for impairment	57,706,347	26,347,210
Provision of employees' termination benefits	5,197,482	5,916,945
Loans from shareholders	-	104,000,000
Zakat provision	25,445,970	20,609,252
Property and equipment	(1,195,580)	(2,103,929)
Net investment in finance leases	(133,862,942)	(169,414,438)
Other	(76,924,005)	15,444,500
Zakat base	<u>150,970,240</u>	<u>193,468,735</u>
Zakat for the year/ period @ 2.5%	<u>3,774,256</u>	<u>4,836,718</u>

Status of assessments:

The Company obtained the final assessments from the General Authority for Zakat and Tax ("GAZT") (previously named as Department of Zakat and Income Tax ("DZIT") for the years 2004 through 2006 with a total amount due of SR 5.3 million. During the year 2010, the Company filed an objection against these assessments and the management is currently following up with the GAZT on those objections.

The main difference between GAZT's assessments and the Company's zakat and income tax returns, is primarily due to the treatment of net investment in finance leases.

Provision for the above uncertain tax/ zakat position not accounted for the years 2015 and 2016, which approximates to SR 8 million, as the management believes that it's an industry wide issue and adequate provision were already maintained to meet any liability that might arise against any probable settlement under the final zakat assessments.

The Company filed its zakat and income tax returns for the years from 2007 through 2012 which are still under review by GAZT. The Company is in the process of preparing zakat and income tax returns for the years 2013 through 2015.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

12. Borrowings

The Company has borrowing facilities amounting to SR 30 million (2015: SR 30 million) from local banks in the form of overdraft, long-term and short-term loans to finance Company's operations and working capital. The borrowings bear finance charges at prevailing rates between Riyadh local banks (RIBOR) plus agreed margins. The borrowings are partially secured against receivables from finance lease contracts amounting to SR 35 million and by promissory notes and personal guarantees by the shareholders of the Company.

Borrowings are denominated in SR and the related yearly repayment schedule is as follows:

	2016	2015
2016	-	5,200,000
2017	2,600,000	2,600,000
	<u>2,600,000</u>	<u>7,800,000</u>

13. Provision for employee termination benefits

	2016	2015
Opening balance	5,197,482	5,916,945
Charge for the year/period	756,911	672,919
Paid during the year/period	(865,728)	(1,392,382)
Closing balance	<u>5,088,665</u>	<u>5,197,482</u>

14. Share capital

14.1 Share capital

	2016	2015
Opening balance	200,000,000	20,000,000
Transfer from proposed increased in share capital	-	180,000,000
Closing balance	<u>200,000,000</u>	<u>200,000,000</u>

14.2 Proposed increase in share capital

	2016	2015
Opening balance	130,000,000	180,000,000
Transferred to share capital	-	(180,000,000)
Cash contribution to increase share capital – note 5	-	26,000,000
Conversion of shareholder loan to equity – note 5	-	104,000,000
Closing balance	<u>130,000,000</u>	<u>130,000,000</u>

Shareholding position as at December 31, 2016 is as follows:

<u>Shareholders</u>	<u>Number of shares</u>	<u>Percentage of ownership</u>	<u>Share capital</u>
Al Bilad Establishment for Trading and Economy	9,000,000	45%	90,000,000
FAL Holding Arabia Company Limited	5,000,000	25%	50,000,000
Falcom Financial Services	4,000,000	20%	40,000,000
FAL Real Estate Company	1,000,000	5%	10,000,000
Sheikh Fahed Bin Mohammad Bin Saleh Alathel	1,000,000	5%	10,000,000
	<u>20,000,000</u>	<u>100%</u>	<u>200,000,000</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

15. Statutory reserve

In accordance with Regulations for Companies in Saudi Arabia, the Company is required to set aside a statutory reserve, after absorption of accumulated losses, by the appropriation of 10% of net income until the reserve equals 30% (2015: 50%) of the share capital. No amount has been transferred to statutory reserve as the Company has incurred net loss during this financial year.

16. Finance lease revenue

This includes lease termination income of SR 98 thousand (2015: SR 1.2 million) and gain or loss on insurance of vehicles under finance lease.

17. Finance cost

	For the year end December 31, 2016	For the period from November 30, 2014 to December 31, 2015
Finance cost on borrowings	254,552	605,890
Bank charges	99,274	75,827
	353,826	681,717

18. General and administrative expenses

	For the year end December 31, 2016	For the period from November 30, 2014 to December 31, 2015
Rentals	2,237,574	3,506,595
Legal and professional fees	2,525,765	2,756,490
Fees and subscriptions	723,319	624,511
Utilities	286,807	253,477
Maintenance	555,852	600,564
Business travel	177,387	98,195
Other	1,341,138	706,166
	7,847,842	8,545,998

19. Other income

	For the year end December 31, 2016	For the period from November 30, 2014 to December 31, 2015
Rental income	-	1,625,000
Return on murabaha investments	1,315,174	91,263
Other	596,696	558,159
	1,911,870	2,274,422

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

20. Contingency and commitments

Contingency

The contingency related to zakat and income tax is disclosed in note 11 to these financial statements.

Commitments

As at December 31, 2016 and 2015, the Company's commitments to extend credit on lease contracts amounted to SR 27 million and SR 3 million, respectively.

The operating lease commitments for the Company's office premises are as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	161,817	3,224,408
More than a year and less than five years	350,500	8,443,322
Total	<u>512,317</u>	<u>11,667,730</u>

21. Fair values of financial assets and financial liabilities

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

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

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs that are unobservable.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Where available, the fair value of net investment in finance lease is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include information obtained from other market participants, which includes observed primary and secondary transactions.

All financial assets and liabilities measured at amortised cost which approximate to their fair value. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

22. Financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, commission rate risk), credit risk and liquidity risk. The Company's overall risk management program, which is carried out by senior management, focuses on having cost effective funding as well as managing financial risks to minimize earning volatility and provide maximum return to shareholders. The risks faced by the Company and their respective mitigating strategies are summarized below.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

22.1 Credit risk

Credit risk is the risk that one party of a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum exposure to credit risk is equal to the carrying amount of financial assets. The management analyses credit risk in the following categories:

Net investment in finance leases

Investment in finance lease is generally exposed to significant credit risk. Therefore, the Company has established procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral such as title on leased assets, and personal guarantees. As at balance sheet date, aging analysis of past due balances was as follows:

	< 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 180 days	Above 180 days	Total
December 31, 2016	38,809,302	8,892,359	1,454,061	1,043,664	1,236,124	33,561,307	84,996,817
December 31, 2015	246,896	32,983,748	30,418,358	8,194,864	11,673,941	83,832,669	167,350,476

The management believes that adequate provision has been accounted for, where required to address the credit risk. Further details related to net investment in finance leases and related risk are presented in Note 2.9 and note 6 to these financial statements.

Cash and cash equivalents and other receivables

These are placed with banks having good credit ratings, and therefore are not subject to significant credit risk. Other receivables are not exposed to significant credit risk.

22.2 Commission rate risk

Commission rate risk is the uncertainty of future earnings resulting from fluctuations in commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to commission rate adjustment within a specified period. The management analysed that as at balance sheet date, the Company's leasing activities are not subject to commission rate risk as the profit amounts are fixed at the inception of the leases. Further, the Company is not subject to significant commission rate risk as only SR 2.6 million (2015: SR 7.8 million) liabilities were subject to commission rate risk as at balance sheet date.

22.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has no significant exposure to currency risk as it mainly deals in Saudi Riyals which is also the functional currency of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

22.4 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. As at balance sheet date, the Company was not exposed to significant liquidity risk and the maturity profile of assets and liabilities as analyzed by the management was as follows:

2016	Up to one year	One to three years	More than three years	No fixed maturity	TOTAL
ASSETS					
Cash and cash equivalents	107,275,526	-	-	-	107,275,526
Short-term deposit	26,000,000	-	-	-	26,000,000
Net investment in finance leases	71,467,106	51,928,857	10,466,979	-	133,862,942
Prepayments and other assets	34,607,829	-	-	-	34,607,829
Property and equipment	-	-	-	1,195,580	1,195,580
Total assets	239,350,461	51,928,857	10,466,979	1,195,580	302,941,877
Liabilities					
Accounts payable	3,591,316	-	-	-	3,591,316
Advances from customer	8,121,643	-	-	-	8,121,643
Accrued expenses and other liabilities	2,369,177	-	-	-	2,369,177
Provision for zakat and income tax	8,610,974	-	-	20,609,252	29,220,226
Borrowings	2,600,000	-	-	-	2,600,000
Provision for employee termination benefits	-	-	-	5,088,665	5,088,665
Total liabilities	25,293,110	-	-	25,697,917	50,991,027
Net shareholders' equity	-	-	-	251,950,850	251,950,850
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	25,293,110	-	-	277,648,767	302,941,877
2015	Up to one year	One to three years	More than three years	No fixed maturity	TOTAL
ASSETS					
Cash and cash equivalents	113,980,976	-	-	-	113,980,976
Short-term deposit	26,000,000	-	-	-	26,000,000
Net investment in finance leases	109,333,946	55,637,824	4,442,669	-	169,414,438
Prepayments and other assets	15,161,461	-	-	-	15,161,461
Property and equipment	-	-	-	2,103,929	2,103,929
Total assets	264,476,383	55,637,824	4,442,669	2,103,929	326,660,804
Liabilities					
Accounts payable	10,000	-	-	-	10,000
Advances from customer	1,764,831	-	-	-	1,764,831
Accrued expenses and other liabilities	1,523,652	-	-	-	1,523,652
Provision for zakat and income tax	4,836,718	-	-	20,609,252	25,445,970
Borrowings	5,200,000	2,600,000	-	-	7,800,000
Provision for employee termination benefits	-	-	-	5,197,482	5,197,482
Total liabilities	13,335,201	2,600,000	-	25,806,734	41,741,935
Net shareholders' equity	-	-	-	284,918,869	284,918,869
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	13,335,201	2,600,000	-	310,725,603	326,660,804

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

23. Capital risk management

The Company's objective when managing capital are to safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital.

The Company primarily finances its operations and manage its working capital through equity. The management analyze the gearing ratio as follows:

	<u>2016</u>	<u>2015</u>
Equity	251,950,850	284,918,869
Borrowings	2,600,000	7,800,000
	<u>254,550,850</u>	<u>292,718,869</u>
Gearing ratio	1.02%	2.66%

24. Comparative figures

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

25. Date of authorization of issue

These financial statements were approved and authorized for issue by the Board of Directors on 9 February 2017.