



Directors' Report

For the period ended December 31, 2015

The Board of Directors of Al Amthal Financing Company ("the Company") take pleasure in presenting its annual report with audited financial statements of the Company for the period from November 30, 2014 to December 31, 2015. The Company converted to a Closed Joint Stock Company on November 30, 2014, and hence this is thirteen months financial reporting period.

Introduction

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 on Rabi Al-Thani 28, 1421H (corresponding to July 30, 2000). The Company principally undertakes leasing, and financing of dealer equipment and vehicles. The Company's registered office is at the following address:

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

1. Business

Al Amthal Financing is one of the first private companies licensed by Saudi Arabian Monetary Agency to provide lease financing in the Kingdom. Since it began operation in 2000, the Company has set new highs in the leasing business in the Kingdom. As of December 31, 2015, the Company serviced its clients from its Head Office and from its sales offices in Riyadh, Jeddah, Khobar, and Madinah.

The Company provides financing for movable and non-movable assets to its customers from general contracting, healthcare, travel and tourism, industrial, commercial and service sectors of the Kingdom's economy. The Company's primary emphasis is on providing Sharia compliant Ijara product to its small and medium-sized customers. During the recent years, the Company expanded its customer base to also provide financing to individuals for purchase of automobiles.

The Company has established strategic partnerships with various agents for vehicles and equipment financing to meet the growing needs of its customers. The company has served tens of thousands of customers through its expertise extended over fifteen years.

2. Financial Overview

Following are the highlights of the financial results of operations of Al Amthal Financing for three consecutive years.

Financial Summary			
<i>In SR Thousand</i>	2015	2014	2013
Receivable from finance lease, net	169,414	251,987	252,408
Total Assets	326,661	342,162	306,697
Total Loans and Debt	7,800	118,300	139,856
Total Liabilities	41,742	151,353	172,381
Total Shareholders' Equity	284,919	190,809	134,316
Finance Lease Revenue	29,282	33,079	31,930
Gross Profit	28,600	29,540	29,401
General and Administrative Expenses	28,295	23,427	23,054
Net Income / (Loss) Before Zakat	(31,053)	(6,620)	6,908
Net Income / (Loss) After Zakat	(35,890)	(13,507)	2,073
Total Past Due	57,186	38,054	23,913
Past Due - %	20.8%	11.3%	7.4%
Interest Coverage - time	(51.6)	(2.8)	1.8
Return on Equity %	(12.6%)	(7.1%)	1.5%
Return on Assets %	(11.0%)	(3.9%)	0.7%
Total Liabilities to Assets Percentage	12.8%	44.2%	56.2%
Leverage Ratio	0.15 : 1.0	0.79 : 1.0	1.28 : 1.0

Al Amthal's underlying Net Loss before Zakat increased significantly in 2015 compared to the previous period influenced by higher receivable provisions and lower businesses. The total finance lease revenues for the 13 month period ended December 31, 2015 decreased to SAR 29.3 million from previous period 11 month operations ended November 29, 2014 SAR 29.2 million. Total General and Administrative Expenses for the period in 2015 operations increased to SAR 28.2 million from SAR 23.4 million compared to previous period.

Total assets in 2015 have decreased to SAR 326.6 million from SAR 342.1 from 2014, while net receivable from finance lease decreased significantly by SR 82.5 million from last period.

Total Shareholders' Equity increased due to conversion of Shareholders' Loan of SR 104 million and additional capital from shareholders of SR 26 million during last quarter of year 2015.

Data below reflects the variation in the income statement figures in 2015 and 2014:

<i>In SR thousands</i>	2015	2014	% Change
Total Income (including other income)	31,556	34,674	-9.0
G & A expenses	28,295	23,427	20.8
Net Income /(Loss)	(35,890)	(13,507)	-165.7

3. Post Balance Sheet Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operation, or the state of affairs of the company in future financial years.

4. Geographical Concentration

Al Amthal Financing operates only within the Kingdom of Saudi Arabia through its head office in Riyadh and branches in Riyadh, Khobar, Jeddah and Madinah

5. Commitments to the Islamic Laws

Al Amthal is committed to the Islamic financing supported by its Sharia board. Leasing is one of the methods of Islamic financing where Al-Amthal purchases the assets required by the client such as vehicles or equipment and leases the asset to the client in return of monthly rental rate. Ownership of the asset can be transferred to the customer at any time during the contractual period. Rental rates are based on market value of the assets plus specified commission margin. The total value is divided over an agreed period of time.

6. Risk Management Framework

Al Amthal's Board of Directors (BOD), supported by its Executive Committee and Audit Committee, oversees the Company's risk management activities. The Executive Committee covers specific non-financial risks, such as strategic, operational and regulatory risks, while the Audit Committee provides oversight over financial reporting risks.

The Company's non-financial risks are summarized below:

Strategic Risk

The Company established objectives and goals for operations or programs that are aligned with the Company's mission to avoid current and prospective adverse impact on



earnings or capital arising from improper implementation of the decision making process, unsuccessful business plan, or adverse business decisions made. Failure to respond to the changes in the business environment can also affect the Company's financial condition and results of operations.

Operational Risk

The Company promotes the effective and efficient use of its resources to avoid risks resulting from human error and breakdowns in its internal processes and systems through which it operates.

Regulatory Risk

The Company manages regulatory risk by strict compliance of the Saudi laws, rules and regulations. Monitoring changes in these laws, rules and regulations reduces risks associated with noncompliance. The developed and sustained ethical business culture of the Company adheres to the expectations and demands of its contracts with stakeholders.

Geographical Risk

Any political instability in the Kingdom may adversely affect Al Amthal's business, results of operations and financial condition. Acts of terrorism and violent crimes could destabilize the country and could have a material adverse effect on Al Amthal's business and financial condition. The sovereign credit ratings of Saudi Arabia may also adversely affect Al Amthal's business. Occurrence of natural catastrophes could adversely affect the Company's business, financial condition and results of operations.

The Audit Committee of the Board meets regularly and exercises an oversight role in managing the risks involved in the operations of the Company.

The Company's financial reporting risks are summarized below:

Credit Risk

The Company's credit risk is primarily attributable to its financial assets. To manage credit risk, the company maintains defined credit policies and monitors on a continuous basis its exposure to credit risk. Given the company's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

Liquidity Risk

The Company monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Company maintains a level of cash and cash equivalents deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

Foreign currency risk

Financial assets and financing facilities extended to the company were mainly denominated in Saudi Riyals. As such, the Company's foreign currency risk is very minimal.

Commission rate risk

The Company's commission rate exposure management policy centers on reducing the Company's overall commission expense and exposure to changes in commission rates. Changes in market commission rates relate primarily to the Company's commission bearing debt obligations with floating profit commission rate as it can cause a change in the amount of commission payments.

7. Financial Reporting Standards

Al Amthal financial reporting comply with the reporting standards in accordance with International Financial Reporting Standard (IFRS) issued by International Accounting Standard Board (IASB), and the Finance Companies Control Law issued by Saudi Arabian Monetary Agency (SAMA). Accordingly, the company's financial statements from the period November 30, 2014 to December 31, 2015 have been prepared in accordance with IFRS.

Further details are provided in the Note 2 of the audited Financial Statements.

8. Effectiveness of Internal Control System

The Board of Directors supported by the Audit Committee is responsible for maintaining a sound and effective system of internal control in the Company.

All employees, at each level, are responsible for efficient and impartial internal control system. Company Management is ultimately responsible for the appropriate design and performance of the system, and the Risk Management, Internal Audit and Compliance Departments for the constant supervision and review of the system.

The external auditors are responsible for determining the effectiveness of the system of internal controls to decide on the level of reliance they can place on the effectiveness of Company's internal controls and to plan their audit procedures.

The key controls of the Company's Internal Control System include:

- a. Standard supervision and testing of the efficiency and completeness of the Internal Control based on an approved annual plan.
- b. Existence of a series of policies and procedures, which are subject to regular evaluation and updates to validate their adequacy and completeness.
- c. Regular review of the reports received by Audit Committee relating to the activities of the departments subject to audit which relay their findings to the Board of Directors on a regular basis.

The Board of Directors is of the opinion that internal control system is efficient and effective and nothing has come to the attention of the Audit Committee that causes it to believe otherwise.

9. Company Auditors

a. Company's Internal & External Auditor

To ensure the compliance as well as to improve of company's general policies & procedures of every department, the company employs the expertise of Ernst & Young to report directly to the board. While the regular annual examination and independent verification of company's Financial Statements for year 2015 has been entrusted to PricewaterhouseCoopers.

The Internal auditor is tasked to verify the performance of each department in line of the company's goal. On the other hand, external auditor assures that the company's financial statements are accurate and free from misstatements.

b. Auditors and disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware.

The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

10. Bank Loan

Below is the loan detail of Al Amthal Financing:

<i>In SR thousands</i>	Dec 31, 2015	Nov 29, 2014
Opening balance	14,300	35,856
Additions during the period/year	0	0
Repayments from loans	6,500	21,556
Closing balance	7,800	14,300

The breakdown of maturity profile and further details are provided in the Note 11 of the audited Financial Statements.

11. Shareholders Structure

Company's current share capital amounting to SAR 200,000,000 consists of 20,000,000 shares of SAR 10 each. On October 18, 2015, the shareholders resolved to increase the share capital of the company to SAR 330,000,000. Current shareholding structure and respective shareholding percentages are as follows:

Shareholders	Capital	Additional Capital	Total Share Capital	Number of Shares Held	Percent of Ownership
Al Bilad Establishment for Trading	90,000,000	58,500,000	148,500,000	14,850,000	45%
Fal Holding Arabia Co. Ltd.	50,000,000	32,500,000	82,500,000	8,250,000	25%
Falcom Financial Services	40,000,000	26,000,000	66,000,000	6,600,000	20%
Fal Real Estate Company	10,000,000	6,500,000	16,500,000	1,650,000	5%
Sheikh Fahad Bin Mohammad Bin Saleh AlAthel	10,000,000	6,500,000	16,500,000	1,650,000	5%
Total	200,000,000	130,000,000	330,000,000	33,000,000	100%

12. Related Party Transactions

The Company in the ordinary course of its business transacts with its related parties. These transactions include proposed increase in share capital, rental expenses, finance charges on subordinated loans and subordinated loans. The transactions and balances relating to related parties have been disclosed to the Note 6 of the audited Financial Statements.

13. Board of Directors

Name	Board Membership	Membership Status
Mr. Fahad Al-Athel	Chairman	Non-Executive
Mr. Bader Al-Athel	Member	Non-Executive
Mr. Sulieman Al-Amro	Member	Non-Executive
Mr. Moath Al-Khasawneh	Member	Non-Executive
Mr. Khalid Refa'at	Member	Non-Executive

14. Board of Directors Meeting Held and Attendance

Name	Sessions Attended	March 16, 2015
Mr. Fahad Al-Athel	1	✓
Mr. Bader Al-Athel	1	✓
Mr. Sulieman Al-Amro	0	X
Mr. Moath Al-Khasawneh	1	✓
Mr. Khalid Refa'at	0	X



15. Board Committees & Appointees

To assist the Board in discharging its duties, four Committees have been operational as follows:

- 1- Executive Committee
- 2- Credit & Risk Management Committee
- 3- Audit Committee
- 4- Shariah Committee
- 5- Nomination and Remuneration Committee

a. Executive Committee

The Executive Committee assists the board in the affairs of the company, especially in strategic planning and policies. The Committee consists of three members as below:

Bader Al-Athel	Chairman
Moath Al-Khasawneh	Member
Loay Hassan Hamdallah	Member

Note: Mr. Loay Hassan Hamdallah has resigned from the company w.e.f December 31, 2015 and the respective position will be filled by the new CEO

b. Credit & Risk Management Committee

The Credit & Risk Management Committee is appointed by the Board of Directors. The Credit & Risk Management Committee assists the Board in overseeing the Company's risk management framework, including the significant policies and practices used in managing credit, market, operational and certain other risks. The Committee consists of two members as mentioned below:

Loay Hassan Hamdallah
Bader Sulaiman Al Solai

Note: Mr. Loay Hassan Hamdallah has resigned from the company w.e.f December 31, 2015 and the respective position will be filled by the new CEO

c. Audit Committee

The role of the audit committee is to provide supervision and improvements of the financial reporting process, audit process, system of controls and regulatory compliance. The Audit Committee consists of three members appointed by the board as follows:

Ata Hamad Mohammad Al Bayouk	Chairman
Suliaman Al-Amro	Member
Mohammad Ibrahim Abu Jabal	Member



d. Shariah Committee

The Shariah Committee advises the Board and the Company in matters relating to Shariah and helps the Company adhere to Shariah principles. The Committee oversees the preparation of Shariah policies and procedures. The Shariah Committee consists of three members as mentioned below:

Sheik Abdulrahman Abdulaziz Al Nafisah
Dr. Mohammed Ali AL Qree
Shiek Abdullah Sulaiman AL Manea

e. Nomination & Remuneration Committee

The Nomination & Remuneration Committee is appointed by the Board of Directors. The Committee assists the Board in preparation of the proposal to the general meeting on matters pertaining to the remuneration of Board members, taking care of the succession planning of Board and presentation of the proposal for the appointment of Board members to the general meeting. The Committee consists of three members as mentioned below:

Fahad Al-Athel	Chairman
Bader Al-Athel	Member
Khalid Refa'at	Member

16. Directors and Company Officers Interest

Board Members:

All Board members of the Company are directors selected by shareholders. Except the Chairman of the Board, none of the directors or their kins either own shares in the Company or have any other interest in the Company.

Senior Management:

The senior management employees including the CEO, COO and CCRO, and their kins do not own shares of the Company.

17. Applicable Laws and Regulations

Al Amthal Financing adheres to the provisions of the Saudi Companies Law and other applicable laws, rules and regulations. During 2014, no penalty was imposed on the Company by any regulatory authority.

The Company submitted its application to the Saudi Arabian Monetary Agency ("SAMA") on Safar 2, 1435H (corresponding to December 5, 2013) to obtain a license to practice the leasing activity in the Kingdom of Saudi Arabia. The Company on Rajab 27, 1435 (corresponding to May 27, 2014) received its preliminary approval from SAMA subject to completion of certain legal formalities, including transferring its legal status to a closed joint stock company, in order to obtain the full license from SAMA. In accordance with SAMA's requirement in connection with obtaining the full license, the Company's shareholders



resolved to convert the Company from a limited liability company to a closed joint stock company effective Safar 8, 1436H (corresponding to November 30, 2014) declaration date of the Ministry of Commerce and Industry number (344/Q). Accordingly, in year 2014 and 2015 the Company prepared its financial statements from January 1, 2014 till November 29, 2014 and from November 30, 2014 to December 31, 2015 respectively.

18. Director's Declaration

The Board of Directors hereby confirms that proper book of accounts have been maintained and that the Company has prepared its financial statements in accordance with international financial reporting standards (IFRS) issued by International Accounting Standards Board (IASB). The Board of Directors also confirm that Internal Audit Control function was properly and effectively implemented. The Board of Directors acknowledge that the Company has no significant existing contracts in which a Director, CEO, CFO or any of their associate has a material interest.

The directors have a reasonable expectation that the Company have adequate resources to continue its operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

19. Future Plans

The Company has achieved a strong reputation in the market in the last fifteen years, and is aware of the growing market opportunities available in the Kingdom of Saudi Arabia.

The Board takes this opportunity to thank the government of the Kingdom of Saudi Arabia, Ministry of Commerce and industry and in particular the Saudi Arabian Monetary Agency for their continuing support. The Board thanks the company's all stakeholders including valued customers, vendors and dealers, shareholders and bankers for their support during the year. The Board also appreciates the contribution made by the employees at all levels.

For and on behalf of the Board of Directors
Chairman