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

FINANCIAL STATEMENTS FOR THE YEAR
ENDED DECEMBER 31, 2017 AND
THE INDEPENDENT AUDITORS' REPORT

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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Independent auditors' report to the shareholders of Al Amthal Financing Company (A Saudi Closed Joint Stock Company)

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Al Amthal Financing Company (the "Company") as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as modified by Saudi Arabian Monetary Authority ("SAMA") for zakat and income tax.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2017;
- the statement of comprehensive loss for the year then ended;
- the statement of changes in shareholders' equity for the year then ended
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include the summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as modified by SAMA for zakat and income tax and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent auditors' report to the shareholders of Al Amthal Financing Company (A Saudi Closed Joint Stock Company) (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

February 13, 2018

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

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2017	2016
ASSETS			
Cash and cash equivalents	4	**31,738,620**	107,275,526
Short-term deposit	5	**-**	26,000,000
Net investment in finance leases	6	**232,627,837**	133,862,942
Advances for investment	7	**892,850**	-
Prepayments and other current assets	8	**12,377,661**	33,366,779
Property and equipment	9	**1,980,302**	1,195,580
TOTAL ASSETS		**279,617,270**	301,700,827
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable		**22,995,297**	3,591,316
Advances from customer		**2,377,160**	8,121,643
Accrued expenses and other liabilities	10	**3,396,412**	2,369,177
Provision for zakat and income tax	11	**31,220,165**	29,220,226
Borrowings	12	**-**	2,600,000
Provision for employee termination benefits	13	**4,057,363**	3,847,615
Total liabilities		**64,046,397**	49,749,977
Shareholders' equity			
Share capital	14	**330,000,000**	200,000,000
Proposed (decrease) increase in share capital	14	**(116,000,000)**	130,000,000
Statutory reserve	15	**3,739,910**	3,739,910
Accumulated losses		**(2,169,037)**	(81,789,060)
Total shareholders' equity		**215,570,873**	251,950,850
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**279,617,270**	301,700,827

The accompanying notes on pages 7 to 22 form an integral part of these financial statements.

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

STATEMENT OF COMPREHENSIVE LOSS FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2017	2016 (Restated)
Income			
Finance lease revenue	16	**29,880,287**	14,442,312
Expenses			
Provision for impairment - net	6.4	**(21,434,817)**	(18,986,679)
Salaries and employee related expenses		**(23,093,483)**	(17,107,202)
Other general and administrative expenses	18	**(6,841,913)**	(7,847,842)
Depreciation	9	**(516,209)**	(1,252,396)
Finance cost	17	**(226,849)**	(353,826)
		(22,232,984)	(31,105,633)
Other income	19	**852,803**	1,911,870
Net loss for the year		**(21,380,181)**	(29,193,763)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(21,380,181)**	(29,193,763)

The accompanying notes on pages 7 to 22 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Proposed increase (decrease) in share capital	Statutory reserve	Accumulated losses	Total
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 - as restated	25	-	-	-	(29,193,763)	(29,193,763)
Zakat charge for the year	11	-	-	-	(3,774,256)	(3,774,256)
Balance at December 31, 2016		200,000,000	130,000,000	3,739,910	(81,789,060)	251,950,850
Balance as at December 31, 2016		**200,000,000**	**130,000,000**	**3,739,910**	**(81,789,060)**	**251,950,850**
Adjustment on adoption of IFRS 9	6.3	-	-	-	**(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	14	**130,000,000**	**(130,000,000)**	-	-	-
Net loss for the year		-	-	-	**(21,380,181)**	**(21,380,181)**
Zakat charge for the year	11				**(1,999,939)**	**(1,999,939)**
Proposed decrease in share capital	14	-	**(116,000,000)**	-	**116,000,000**	-
Balance at December 31, 2017		**330,000,000**	**(116,000,000)**	**3,739,910**	**(2,169,037)**	**215,570,873**

The accompanying notes on pages 7 to 22 form an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		**(21,380,181)**	(29,193,763)
Adjustments for non-cash items:			
Depreciation	9	**516,209**	1,252,396
Provision for impairment - net	6.4	**21,434,817**	18,986,679
Provision for employee termination benefits	13	**577,468**	756,911
Changes in operating assets and liabilities:			
Net investment in finance leases		**(133,199,569)**	16,564,817
Due from a related party		**-**	255,493
Prepayments and other current assets		**20,989,118**	(19,701,861)
Accounts payable		**19,403,981**	3,581,316
Advances from customer		**(5,744,483)**	6,356,812
Accrued expenses and other liabilities		**1,027,235**	845,525
Employee termination benefits paid	13	**(367,720)**	(865,728)
Net cash used in operating activities		**(96,743,125)**	(1,161,403)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	9	**(1,300,931)**	(457,101)
Proceeds from sale of property and equipment		**-**	113,054
Purchase of investment	7	**(892,850)**	-
Short-term investment	5	**26,000,000**	-
Net cash generated from (used in) investing activities		**23,806,219**	(344,047)
CASH FLOWS FROM FINANCING ACTIVITY			
Repayments of borrowings		**(2,600,000)**	(5,200,000)
Net cash used in financing activity		**(2,600,000)**	(5,200,000)
Net change in cash and cash equivalents		**(75,536,906)**	(6,705,450)
Cash and cash equivalents at the beginning of the year	4	**107,275,526**	113,980,976
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	**31,738,620**	107,275,526
Supplemental non-cash information:			
Net investment in finance lease write - offs	6.3	**21,376,226**	31,772,174

The accompanying notes on pages 7 to 22 form an integral part of these financial statements.

(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 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 have the following braches and the results thereof are part of these financial statements:

Location	Commercial Registration Number
Abha	5850070625
Jeddah	4030133764
Khobar	2051047756

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with 'International Financial Reporting Standards ("IFRS") as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the Zakat and Income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings.

Refer note 2.4 for the accounting policy of zakat and income tax and note 25 for the impact of change in the accounting policy resulting from the SAMA Circular.

2.2 Historical cost convention

The financial statements have been prepared on a historical cost basis, except as otherwise disclosed in these notes to the financial statements.

New or amended standards adopted by the Company

Effective January 1, 2017, the Company elected to early adopt of IFRS 9 - "Financial Instruments" as issued in July 2014 because the new accounting policies under IFRS 9 provide more relevant and reliable information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transitional provisions in IFRS 9 paragraph 7.2.15, comparative figures have not been restated. See note 6.3 and note 21 for further details on the impact of change in accounting policies.

2.3 Accounting policies applied from January 1, 2017: Financial instruments

a) Initial recognition

The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

b) Classification

From January 1, 2017, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

c) Measurement

At initial recognition, the Company measures financial assets at its fair value, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss (FVTPL) are expensed in profit or loss.

Subsequent measurement of debt instruments

Subsequent measurement of debt instrument depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Company classifies its debt instruments:

i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Profit from these financial assets is calculated based on the effective yield method.

ii) Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit on financial instruments (revenue) and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is de-recognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Profit from these financial assets is included in finance income using the effective yield method.

iii) Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of comprehensive income or loss within other gains/ (losses) in the period in which it arises. Profit from these financial assets is included in the finance income.

Subsequent measurement of equity instruments

Currently, the Company hold only one equity investment. Therefore, the related accounting policy is presented below:

The Company measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income (FVOCI) , there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments are recognized in profit or loss as other income when the Company's right to receive payments is established.

d) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. Previously, the Csompany was using incurred loss model.

For net investment in finance leases "lease receivables", the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of the lease receivables.

The Company uses a provision matrix in the calculation of the expected credit losses on lease receivables to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering probability of default and loss given default which were derived from historical data of the Company and are adjusted to reflect the expected future outcome which includes macro-economic factors such as inflation and gross domestic product growth rate.

Other instruments are considered as low risk and the Company use a provision matrix in calculating the expected credit losses.

Financial asset is written-off only when:

(i) that is past due at least from two years, and
(ii) there is no reasonable expectation of recovery.

Where financial assets are written off, the Company continues to engage enforcement activities to attempt to recover the lease receivable due. Where recoveries are made, after write-off, are recognized in the statement of comprehensive income or loss.

e) Financial liabilities - subsequent classification, measurement and de-recognition

Financial liabilities are subsequently classified and measured at amortized cost using the effective yield method. The effective yield rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Company derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

2.4 Accounting policies applied from January 1, 2017: Zakat and 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 changes in equity. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Until 2016, the zakat was charged to statement of income as per the requirements of IFRS. Therefore, the statement of income / loss of these financial statements has been restated. This restatements does not have any effect on the financial position and statement of cash flow of these financial statements.

2.5 New standards or amendments

Following new or amended standards effective from January 1, 2017 does not have effect on the Company's financial statements:

- Amendment to IAS 12," Income taxes", regarding recognition of deferred tax assets for unrealized losses;
- Amendment to IAS 7, "Cash flow statements", regarding the disclosure initiative; and
- Annual improvements 2014-2016, IFRS 12," Disclosure of interest in other entities".

Following applicable new or amended standards effective after January 1, 2017, which were not early adopted by the Company does not have significant effect on the Company's financial statements:

- Annual improvements 2014-2016 regarding IFRS 7 "Financial instruments: Disclosures" and IAS 19 "Employee Benefits"; and
- IFRS 16 "Leases".

2.6 Functional and presentation currency

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

2.7 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.

2.8 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.

2.9 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 statement of comprehensive income or loss.

2.10 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.

2.11 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.

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 Company 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.

2.12 Impairment of 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.

2.13 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.

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

2.14 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 statement of financial position 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.

(All amounts in Saudi Riyals unless otherwise stated)

2.15 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.

2.16 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.

2.17 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.

2.18 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.

3. Accounting estimates and judgments

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 2.3 and note 6
2- Provision of zakat and income tax - note 11

4. Cash and cash equivalents

	2017	2016
Cash in hand	**20,000**	20,000
Cash at banks	**31,718,620**	7,255,526
Murabaha investment in bank - note 19	**-**	100,000,000
	31,738,620	107,275,526

5. Short-term deposit

The short-term deposit in 2016 represented restricted cash held with a bank pending completion of legal formalities related to a proposed increase in share capital which was completed during May 2017.

(All amounts in Saudi Riyals unless otherwise stated)

6. Net investment in finance leases

6.1 Reconciliation between gross and net investment in finance leases

	2017	2016
Gross investment in finance leases	**386,258,093**	211,581,142
Unearned finance income	**(60,778,611)**	(27,038,942)
Unearned insurance revenue	**(50,127,707)**	(21,356,622)
Present value of minimum lease payments receivable	**275,351,775**	163,185,578
Unamortized transaction cost	**(281,730)**	-
Provision for impairment	**(42,442,208)**	(29,322,636)
Net investment in finance leases	**232,627,837**	133,862,942

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

	2017	2016
Gross investment in finance leases		
Within one year	**161,420,127**	115,934,688
From one to three years	**186,302,427**	79,601,642
Three to five years	**38,535,539**	16,044,812
	386,258,093	211,581,142
Present value of minimum lease payments receivable		
Within one year	**115,464,613**	87,121,953
From one to three years	**132,483,703**	63,303,857
Three to five years	**27,403,459**	12,759,768
	275,351,775	163,185,578

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

	Note	2017	2016
Opening balance		**29,322,636**	57,706,347
Adjustment on adoption of IFRS 9		**12,999,857**	-
January 1,		**42,322,493**	57,706,347
Charge for the year	6.4	**28,287,115**	18,986,679
Written - off during the year		**(21,376,226)**	(31,772,174)
Transfer as part of repossessed assets held for sale	8.3	**(6,791,174)**	(15,598,216)
Closing balance		**42,442,208**	29,322,636

As explained in Note 2, the Company elected not to restate prior periods, and accordingly, the difference between previous carrying amount of the provision for impairment calculated on incurred loss model and the provision for impairment calculated on the expected loss model were recognized in the opening retained earnings / accumulated losses and presented in the statement of changes in shareholders' equity.

6.4 Provision for impairment - net

	2017	2016
Impairment provision charge	**28,287,115**	21,128,712
Recoveries after written - off	**(6,852,298)**	(2,142,033)
	21,434,817	18,986,679

(All amounts in Saudi Riyals unless otherwise stated)

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 related to corporate and retail customers. The credit risk on net investment in finance leases is generally mitigated by the retention of legal title documents on leased assets.

7. Advances for investment

The Company made an advance for investment amounting to SR 893 thousand for 89,285 shares at SR 10 for each share representing 2.3% ownership in the share capital of "Saudi Leasing for Contract Registration Company".

8. Prepayments and other current assets

	Note	2017	2016
Prepaid expenses		**3,641,324**	5,976,138
Recoverable claims and penalties		**2,798,763**	2,674,070
Bank guarantee	8.1	**2,060,962**	2,060,962
Receivable from ex - employee	8.2	**2,036,434**	1,759,106
Employees loans receivable		**903,070**	214,824
Repossessed assets held for sale - net of provisions	8.3	**750,408**	5,272,944
Advances to suppliers		**181,200**	14,971,492
Other		**5,500**	437,243
		12,377,661	33,366,779

8.1 This represents bank guarantee issued in relation to the pending tax assessments.

8.2 Receivable from ex - employee represent net of his termination benefit of SR 964 thousand.

8.3 Repossessed assets held for sale

	Note	2017	2016
Receivable from customers		**7,541,582**	20,871,160
Provision transferred from net investment in finance leases	6.3	**(6,791,174)**	(15,598,216)
		750,408	5,272,944

(All amounts in Saudi Riyals unless otherwise stated)

9. Property and equipment

2017

	Leasehold improvements	Furniture, fixtures and office equipment	Computers and software	Total
Cost:				
January 1, 2017	12,165,275	7,338,022	8,673,659	28,176,956
Additions	269,067	710,362	321,502	1,300,931
December 31, 2017	12,434,342	8,048,384	8,995,161	29,477,887
Accumulated depreciation:				
January 1, 2017	11,996,111	6,690,397	8,294,868	26,981,376
Charge for the year	72,836	244,405	198,968	516,209
December 31, 2017	12,068,947	6,934,802	8,493,836	27,497,585
Net book value:				
December 31, 2017	**365,395**	**1,113,582**	**501,325**	**1,980,302**

2016

	Vehicles	Leasehold improvements	Furniture, fixtures and office equipment	Computers and software	Total
Cost:					
January 1, 2016	146,667	12,165,275	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	33,613	890,158	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

10. Accrued expenses and other liabilities

	2017	2016
Accrued salaries, wages and benefits	**1,173,095**	887,910
Accrued commission	**940,822**	80,000
Charity payables	**840,560**	-
Accrued professional fees	**104,250**	615,000
Other	**337,685**	786,267
	3,396,412	2,369,177

(All amounts in Saudi Riyals unless otherwise stated)

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:

	2017	**2016**
Balance at the beginning of the year	**29,220,226**	25,445,970
Charged for the year	**1,999,939**	3,774,256
Closing balance	**31,220,165**	29,220,226

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

	2017	**2016**
Loss for the year	**(21,380,181)**	(29,193,763)
Provision for impairment	**21,434,817**	18,986,679
Provision of employees' termination benefits	**209,748**	(108,817)
Adjusted net income (loss)	**264,384**	(10,315,901)
Adjustments opening balance:		
Share capital and proposed increase therein	**330,000,000**	330,000,000
Statutory reserves	**3,739,910**	3,739,910
Accumulated losses	**(81,789,060)**	(48,821,041)
Provision for impairment	**29,322,636**	57,706,347
Provision of employees' termination benefits	**3,847,615**	5,197,482
Zakat provision	**29,220,226**	25,445,970
Property and equipment	**(1,980,302)**	(1,195,580)
Net investment in finance leases	**(232,627,837)**	(133,862,942)
Other	**-**	(76,924,005)
Zakat base	**79,997,572**	150,970,240
Zakat for the year @ 2.5%	**1,999,939**	3,774,256

Status of assessments:

The Company obtained the final assessments from the General Authority for Zakat and Tax ("GAZT") for the years 2004 through 2006 with a total amount due of SR 5.3 million. During the year 2010, the Company filed objections against these assessments and the management is currently following up with the GAZT on those objections. The main difference between the GAZT's assessments and the Company's zakat and income tax returns, is primarily due to the treatment of net investment in finance leases, where the net investment is disallowed by the GAZT as deduction from the zakat base. The 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 2013 which are still under review by the GAZT. The Company is in the process of preparing zakat and income tax returns for the years 2014 through 2016. The Company is in process of preparing special purpose financial statements for the years 2014 to 2017 based on the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) accounting standards and will consider to prepare the Zakat return on that basis.

(All amounts in Saudi Riyals unless otherwise stated)

12. Borrowings

The Company had borrowing facilities amounting to SR Nil (2016: 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 were 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.

13. Provision for employee termination benefits

	2017	**2016**
Opening balance	**3,847,615**	3,956,432
Charge for the year	**577,468**	756,911
Paid during the year	**(367,720)**	(865,728)
Closing balance	**4,057,363**	3,847,615

14. Share capital

	2017	2016
Opening balance	**200,000,000**	200,000,000
Transfer from proposed increased in share capital - note 5	**130,000,000**	-
Closing balance	**330,000,000**	200,000,000

Shareholding position as at December 31,2017 was as follows:

Shareholders	**Number of shares**	**Percentage of ownership**	**Share capital**
Al Bilad Establishment for Trading and Economy	14,850,000	45%	148,500,000
FAL Holding Arabia Company Limited	8,250,000	25%	82,500,000
Falcom Holdings	6,600,000	20%	66,000,000
Sheikh Fahed Bin Mohammad Bin Saleh Alathel	3,300,000	10%	33,000,000
	33,000,000	100%	330,000,000

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

Shareholders	**Number of shares**	**Percentage of ownership**	**Share capital**
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
	20,000,000	100%	200,000,000

On November 1, 2017, the Board of Directors recommended the reduction in share capital by SR 116 million to absorb the accumulated losses, which is subject to approval from the general assembly meeting and SAMA. The statement of changes in equity was updated to reflect this proposed decrease in share capital.

(All amounts in Saudi Riyals unless otherwise stated)

The Board also recommended the shareholders to increase the share capital by SR 100 million through cash injection after the proposed decrease in share capital, which is also subject to approval from the general assembly meeting and SAMA.

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 at least 10% of net income until the reserve equals 30% (2016: 30%) of the share capital. No amount has been transferred to statutory reserve as the Company has incurred net loss during this financial year.

The Company is in process to update its by-laws to be in line with the above 30% threshold specified in the regulations for companies.

16. Finance lease revenue

The balance includes gain or (loss) of SR 207 thousand (2016: SR (1,583 thousand)) on insurance of vehicles under finance lease.

17. Finance cost

	2017	2016
Bank charges	**195,191**	99,274
Finance cost on borrowings	**31,658**	254,552
	226,849	353,826

18. Other general and administrative expenses

	2017	2016
Legal and professional fees	**2,327,983**	2,525,765
Rentals	**2,103,472**	2,237,574
Fees and subscriptions	**777,546**	723,319
Maintenance	**526,707**	555,852
Utilities	**286,072**	286,807
Advertising	**277,356**	23,126
Business travel	**174,814**	177,387
Other	**367,963**	1,318,012
	6,841,913	7,847,842

19. Other income

	2017	2016
Return on Murabaha investments - note 4	**302,042**	1,315,174
Other	**550,761**	596,696
	852,803	1,911,870

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, 2017 and 2016, the Company's commitments to extend credit on lease contracts amounted to SR 0.24 million and SR 27 million, respectively.

(All amounts in Saudi Riyals unless otherwise stated)

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

	2017	2016
Less than one year	111,000	161,817
More than a year and less than five years	511,000	350,500
Total	622,000	512,317

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.

In accordance with the requirements of IAS 39, previously all of the debt instruments (financial assets and liabilities) of the Company were classified as held to maturity and measured at amortized cost. On adoption to IFRS 9, those were classified and measured at amortized cost, which is approximate to their fair value and the breakdown of those were as follows:

	Note	2017	2016
Financial asset - debt instruments			
Cash and cash equivalents	4	31,738,620	107,275,526
Short-term deposit	5	-	26,000,000
Net investment in finance leases	6	232,627,837	133,862,942
Other assets	8	7,804,729	7,146,205
		272,171,186	274,284,673
Financial liabilities			
Accounts payable		22,995,297	3,591,316
Accrued expenses and other liabilities	10	3,396,412	2,369,177
Borrowings	12	-	2,600,000
		26,391,709	8,560,493
Net financial assets		245,779,477	265,724,180

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.

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 December 31, aging analysis of contractual finance lease receivables, current and past due balances, was as follows:

2017

	SR '000									
December 31, 2017	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
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**

2016

	SR '000									
December 31, 2016	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
Carrying amount of portfolio	78,189	38,809	8,892	1,454	1,044	1,236	3,549	4,478	25,535	163,186

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 2.3 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 statement of financial position 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 commission rate risk as SR Nil (2016: SR 2.6 million) liabilities were subject to commission rate risk as at statement of financial position 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.

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 statement of financial position 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:

2017	Up to one year	One to three years	More than three years	No fixed maturity	TOTAL
ASSETS					
Cash and cash equivalents	31,738,620	-	-	-	**31,738,620**
Net investment in finance leases	97,385,384	112,062,912	23,179,541	-	**232,627,837**
Advances for investment	-	-	-	892,850	**892,850**
Prepayments and other current assets	12,377,661	-	-	-	**12,377,661**
Property and equipment	-	-	-	1,980,302	**1,980,302**
Total assets	**141,501,665**	**112,062,912**	**23,179,541**	**2,873,152**	**279,617,270**
Liabilities					
Accounts payable	22,995,297	-	-	-	**22,995,297**
Advances from customer	2,377,160	-	-	-	**2,377,160**
Accrued expenses and other liabilities	3,396,412	-	-	-	**3,396,412**
Provision for zakat and income tax	10,610,913	-	-	20,609,252	**31,220,165**
Provision for employee termination benefits	-	-	-	4,057,363	**4,057,363**
Total liabilities	**39,379,782**	-	-	**24,666,615**	**64,046,397**
Total shareholders' equity	-	-	-	215,570,873	**215,570,873**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**39,379,782**	-	-	**240,237,488**	**279,617,270**

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 current assets	33,366,779	-	-	-	33,366,779
Property and equipment	-	-	-	1,195,580	1,195,580
Total assets	238,109,411	51,928,857	10,466,979	1,195,580	301,700,827
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	-	-	-	3,847,615	3,847,615
Total liabilities	25,293,110	-	-	24,456,867	49,749,977
Total shareholders' equity	-	-	-	251,950,850	251,950,850
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	25,293,110	-	-	276,407,717	301,700,827

(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. The Company primarily finances its operations and manage its working capital through shareholders' equity.

24. Related party transactions and balances

Significant related party transactions during the year were as follows:

	2017	2016
Shareholders		
Rental expenses	**1,512,000**	1,505,000
Other related parties		
Finance lease income	**271,491**	1,072,446
Key management compensation		
Salaries and other short-term employee benefits	**2,538,130**	2,089,917
Retirement benefits	**80,871**	72,108
Finance lease income	**2,541**	-

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

Significant related party balances as at statement of financial position date included in net investment in finance lease of SR 317 thousand is related to a key management person.

25. Comparative figures

a. As explained in notes 2.1 and 2.4 of these financial statements, due to change in accounting policy related to zakat and income tax the comparatives were restated as follows:

	December 31, 2016 (as previously reported)	Restatement	December 31, 2016 (as restated)
Net loss for the period	(32,968,019)	3,774,256	(29,193,763)
Total comprehensive loss	(32,968,019)	3,774,256	(29,193,763)

b. Certain other 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.

26. Date of authorization of issue

These financial statements were approved and authorized for issue by the Board of Directors on February 13, 2018.