DAR AL-ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)

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

DAR AL-ETIMAN SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

INDEPENDENT AUDITORS' REPORT

March 2, 2017

To the Shareholders of Dar Al-Etiman Al Saudi Company:
(A Saudi Closed Joint Stock Company)

Scope of audit

We have audited the accompanying statement of financial position of Dar Al-Etiman Al Saudi Company as of December 31, 2016 and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and the notes from 1 to 21 which form an integral part of the financial statements. These financial statements, which were prepared by the Company in accordance with the Regulations for Companies and International Financial Reporting Standards 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 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 December 31, 2016 and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards; 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

By: ____________________
Mufaddal A. Ali
License Number 447

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محاسبون قانونيون
ترخيص رقم ٢٥
س.ت ٤٠٣٠٢٨٩٠٠٢
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DAR AL-ETIMAN SAUDI 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 equivalent	5	**16,884,635**	20,898,659
Net investment in finance lease	6	**202,777,580**	215,730,808
Prepayments and other receivables	7	**114,304,897**	99,831,486
Property and equipment	8	**1,283,396**	1,811,953
Total assets		**335,250,508**	338,272,906
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	9	**100,000,000**	100,000,000
Statutory reserve	10	**4,350,135**	4,350,135
Retained earnings		**13,999,221**	19,444,406
Total shareholders' equity		**118,349,356**	123,794,541
Liabilities			
Accounts payable	11	**173,169,733**	169,098,061
Accrued and other liabilities	12	**8,008,248**	6,892,138
Provision for zakat	13	**3,246,791**	3,534,907
Net servicing liability under agency agreement	21	**29,508,068**	32,476,890
Post-employment benefits	14	**2,968,312**	2,476,369
Total liabilities		**216,901,152**	214,478,365
Total shareholders' equity and liabilities		**335,250,508**	338,272,906

These financial statements have been approved by the management on March 2, 2017 and signed on their behalf by:

Chief Executive Officer

Chief Financial Officer

The notes on pages 7 to 24 form an integral part of these financial statements.

DAR AL-ETIMAN SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2016	For the period from March 31, 2015 (Date of the Ministerial Resolution for Conversion to a Saudi Closed Joint Stock Company) to December 31, 2015
Income			
Lease income		**21,076,506**	12,560,376
Fee and other processing income		**13,434,523**	7,018,041
Income from sale of finance lease receivables, net	6	**9,827,417**	-
Other income		**3,127,393**	7,136,303
Total income		**47,465,839**	26,714,720
Expenses			
Finance cost	11	**(5,644,588)**	(1,023,438)
General and administrative expenses	16	**(28,016,409)**	(19,252,706)
Impairment of net investment in finance lease	6	**(4,800,000)**	(3,923,642)
Other operating costs	17	**(10,959,626)**	(4,607,840)
Total expenses		**(49,420,623)**	(28,807,626)
Loss before zakat		**(1,954,784)**	(2,092,906)
Zakat	13	**(3,490,401)**	(2,871,375)
Net loss for the year / period		**(5,445,185)**	(4,964,281)
Other comprehensive income		**-**	-
Total comprehensive loss for the year / period		**(5,445,185)**	(4,964,281)

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Chief Financial Officer

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DAR AL-ETIMAN SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share Capital	**Statutory reserve**	**Retained earnings**	**Total**
Transfer of balances from limited liability company on March 31, 2015 (Date of ministerial resolution)	100,000,000	4,350,135	24,408,687	128,758,822
Total comprehensive loss for the period	-	-	(4,964,281)	(4,964,281)
Balance as at December 31, 2015	100,000,000	4,350,135	19,444,406	123,794,541
Total comprehensive loss for the year	**-**	**-**	**(5,445,185)**	**(5,445,185)**
Balance as at December 31, 2016	**100,000,000**	**4,350,135**	**13,999,221**	**118,349,356**

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DAR AL-ETIMAN SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2016	For the period from March 31, 2015 (date of ministerial resolution) to December 31, 2015
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before zakat		**(1,954,784)**	(2,092,906)
Adjustments for non-cash items:			
Depreciation on property and equipment		**613,625**	484,724
Allowance for impairment against net investment in finance lease	6	**4,800,000**	3,923,642
Provision for post-employment benefits	14	**630,137**	422,476
Gain on disposal of property and equipment		**(49,795)**	-
Finance cost		**(5,644,588)**	-
Changes in working capital:			
Prepayments and other receivables		**(14,473,411)**	(36,514,671)
Accounts payable		**9,716,260**	132,234,621
Accrued and other liabilities		**1,116,110**	714,665
Net servicing liability under agency agreement		**(2,968,822)**	32,476,890
Cash (used in) / generated from operations		**(8,215,268)**	131,649,441
Post-employment benefits paid	14	**(138,194)**	(417,148)
Zakat paid	13	**(3,778,517)**	(3,993,404)
Net cash (used in) / generated from operating activities		**(12,131,979)**	127,238,889
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in finance lease		**(124,843,772)**	(132,689,283)
Cash received on sale of finance lease receivables		**132,997,000**	-
Additions to property and equipment	8	**(85,069)**	(89,347)
Proceeds from disposal of property and equipment		**49,796**	-
Net cash generated from / (used in) investing activities		**8,117,955**	(132,778,630)
Net decrease in cash and cash equivalents		**(4,014,024)**	(5,539,741)
Cash and cash equivalents at the beginning of the year / period		**20,898,659**	26,438,400
Cash and cash equivalents at the end of the year / period	5	**16,884,635**	20,898,659

These financial statements have been approved by the management on March 2, 2017 and signed on their behalf by:

Chief Executive Officer

Chief Financial Officer

The notes on pages 7 to 24 form an integral part of these financial statements.

1. General information

Dar Al-Etiman Saudi Company (the "Company") is principally engaged in providing lease financing for motor vehicles within the Kingdom of Saudi Arabia. The Company's head office is located at Prince Sultan Street, P.O. Box 55274, Jeddah 21534, Saudi Arabia.

The Company is incorporated as a Saudi Closed Joint Stock Company ("SCJSC") pursuant to Ministerial Resolution No. 486/Q dated Jumad-ul-Thani 11, 1436 (corresponding to March 31, 2015). Prior to its conversion to a Saudi closed joint stock company, the Company was operating as a Limited Liability Company ("LLC") registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030165101 issued in Jeddah on Dhul-Qada 5, 1427H (corresponding to December 5, 2006).

In accordance with the Company's by-laws, the first fiscal period of the Company after the conversion is from the date of the Ministerial Resolution for conversion to a Saudi closed joint stock company (March 31, 2015) to December 31, 2015. Balances were transferred from the limited liability company to the closed joint stock company as at March 31, 2015 (date of conversion). The comparative financial statements for the period from March 31, 2015 to December 31, 2015 were the first financial statements of the closed joint stock company after conversion.

In accordance with requirements of Article 6 of the Implementing Regulation of the Law of Supervision of Finance Companies, Company has obtained a license No. 33/AM/201505 from Saudi Arabian Monetary Authority (SAMA) to conduct finance lease activities on Rajab 16, 1436 (corresponding to May 5, 2015).

The accompanying financial statements include the accounts of the Company's head office and all its branches.

2. Statement of compliance and basis of preparation

<u>Compliance with IFRS</u>

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRS as required by the Implementing Regulations of the Finance Companies Control Law. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

During the year, the Company has changed the presentation of items in the balance sheet and presented based on the liquidity. Previously, the items were presented under current/non-current basis as permitted under IAS 1 'presentation of financial statements'. As per the management, such presentation on the balance sheet under liquidity basis is more relevant for the purpose of the Company.

<u>Historical cost convention</u>

These financial statements are prepared under the historical cost convention unless stated otherwise, using the accrual basis of accounting and going concern assumptions.

<u>Basis of preparation</u>

These financial statements are expressed in Saudi Riyals, which is the Company's functional and reporting currency.

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue its business for the foreseeable future.

(All amounts in Saudi Riyals unless otherwise stated)

2.1 Adoption of new and revised standards

New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company

The Company has adopted the following amendments and revisions to existing standards, if any, which were issued by the International Accounting Standards Board (IASB) effective for the financial reporting period commencing on or after January 1, 2016:

Standard	*Description*
IFRS 14	IFRS 14 'Regulatory Deferral Accounts' is an interim standard which provides relief for first-time adopters of IFRS in relation to the accounting for certain balances that arise from rate-regulated activities.
IFRS 11	Amendment to IFRS 11 'Joint arrangements' on acquisition of an interest in a joint operation where the activities of the operation constitute a business.
IAS 16 & IAS 38	Amendments to IAS 16 'Property plant and equipment' and IAS 38, 'Intangible assets' on clarification of acceptable methods of depreciation and amortisation.
IAS 27	Amendments to IAS 27 'Separate financial statements' which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.
IAS 16 & IAS 41	Amendments to IAS 16 'Property plant and equipment' and IAS 41 'Agriculture', now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses.
IAS 1	Amendment to IAS 1 'Presentation of financial statements' amendment is made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved.
FRS 10, IFRS 12 and IAS 28	Amendments made to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures' clarify applying exception to consolidation.
Annual Improvements to IFRS 2012-2014:	
IFRS 5	IFRS 5 'Non-current assets held for sale and discontinued operations' - when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.
IFRS 7	IFRS 7 'Financial instruments: disclosures' - specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition.
IFRS 7	IFRS 7 'Financial instruments: disclosures' - additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.
IAS 19	IAS 19 'Employee benefits' - When determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.
IAS 34	IAS 34 'Interim financial reporting' - What is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

The adoption of the relevant new and amended standards and interpretations applicable to the Company did not have any significant impact on these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

2.1 Adoption of new and revised standards (continued)

New standards, amendments to the published approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Company

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

Standard/ Interpretation	*Description*	*Effective from periods beginning on or after the following date*
IFRS 10 & IAS 28	Amendment to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures' on investment entities applying the consolidation exception	Not given yet
IAS 7	IAS Amendments to IAS 7 'Statement of cash flows' on disclosure initiative	January 1, 2017
IAS 12	Amendments to IAS 12 'Income taxes' on Recognition of deferred tax assets for unrealised losses	January 1, 2017
IFRS 2	Amendments to IFRS 2 'Share based payments', on clarifying how to account for certain types of share-based payment transactions	January 1, 2018
IFRS 9	Financial instruments	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2018
IFRS 16	Leases	January 1, 2019

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

3.1 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date, which are available to the Company without any restrictions.

3.2 Investment in finance lease

Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognized at an amount equal to the present value of the minimum lease payments, including any guaranteed residual value which are included in the financial statements as "investment in finance leases".

Gross investment in finance lease represents the gross lease payments receivable by the Company, and the net investment in finance lease represents the present value of these lease payments including any guaranteed residual value, discounted at interest rate implicit in the lease. The difference between the gross investment in finance lease and unearned finance income represents net investment in finance lease which is stated net of allowance for impairment. See Note 3.12 (iii) with respect to derecognition of receivable from financial lease contracts.

3.3 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset. 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 entity and the cost of the item can be measured reliably. All other repairs and maintenance expenditure are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation is charged to the income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Number of years
• Leasehold improvements	10
• Furniture and fixtures	10
• Motor vehicles	4
• Office equipment	3 - 10

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in income statement.

3.4 Accounts payable

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

3.5 Provisions

Impairment for lease losses

The Company reviews its lease receivables on a quarterly basis to assess whether specific provisions for impairment should be recorded in the income statement. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

The Company also makes a collective impairment provision against lease receivables which although not specifically identified as requiring a specific provision have a greater risk of default than when originally granted. This collective provision is based on any deterioration in the internal grade of the exposure since it was granted. The amount of the provision is based on the historical loss pattern for lease receivables within each grade and is adjusted to reflect current economic changes. Lease receivables are charged off, when in the opinion of management, the likelihood of any future collection is believed to be minimal.

Other provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimates.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation to its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Foreign currency translation

Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in the financial statements are presented in Saudi Riyals since it is the reporting and functional currency of the Company.

Transactions and balances
Transactions in foreign currencies are translated into Saudi Riyals at the exchange rates prevailing at transaction date. At the end of each reporting period, monetary assets and liabilities, denominated in foreign currencies, are retranslated into Saudi Riyals at the exchange rates prevailing at that date. Foreign exchange gains or losses on settlement and translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income and other comprehensive income in the period in which they arise.

Non-monetary items carried at fair value which are denominated in foreign currencies are retranslated using the exchange rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.6 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Provision for zakat for the Company is charged to the income statement. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

3.7 Post-employment benefits

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

3.8 Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

3.9 Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.10 Revenue recognition - Finance lease and other operating income

i) Income from finance lease

Finance income from leases is recognised based on a pattern reflecting a constant periodic rate of return on the company's net investment in the finance leases.

The difference between the aggregate lease contract receivable and the cost of the leased assets plus initial direct costs is recorded as unearned lease finance income. The initial direct costs, which include amounts such as commissions and legal fees that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable. Lease payments relating to the year are applied against lease receivables to reduce both the principal and the unearned finance income.

ii) Fee and other processing income

Insurance income is recognized on a straight-line basis over the period of lease term. Processing fee and other income is recognized as income on receipt basis.

iii) Net income from finance lease receivable sold to financial institutions

Income from finance lease receivables sold to the financial institution is recognized when the Company sells lease receivables to the bank and de-recognizes them from the financial statements. Income is reduced by the discount charged by the financial institution, accrued insurance cost in respect of assets leased under sold receivables and incidental cost of arrangement including those to be incurred as servicing agent.

3.11 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set off and the Company intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements only when permitted by the approved accounting standards.

3.12 Investments and other financial assets

(i) Classification

The Company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(ii) Recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

(iii) Derecognition of financial assets

Any financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognised when:

- the contractual right to receive cash flows from the asset has expired; or
- the contractual right to receive cash flows from the asset has expired; but the Company has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- the Company has transferred its contractual right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

- Any resulting gains or losses on derecognition of financial assets are recognized at the time of derecognition of financial assets.

- Where the Company is appointed to service the derecognized financial asset for a fee, the Company recognises either a net servicing asset or a net servicing liability for that servicing contract. If the fee to be received is not expected to compensate the Company adequately for performing the service, a net servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the services to be provided, a servicing asset is recognised for the servicing right. The total amount of such net servicing liability has been classified separately under ‘accrued and other liabilities’ in these financial statements.

- The Company’s net servicing assets and related liabilities are calculated separately for each agreement by calculating the present value of servicing assets, as per the terms of the agreements, and by estimating the present value of servicing liabilities and related provisions. The discount rate used is the rate agreed as per the terms of the respective securitization agreement. The change in present values of servicing assets, servicing liabilities and related provisions are reassessed at each reporting date and the impact, if any is taken to the statement of comprehensive income.

(iv) Impairment and uncollectability of other financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

(a) for assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of comprehensive income.
(b) for assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
(c) for assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

(v) Reclassification

The Company may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(vi) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of comprehensive income.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for ‘financial assets at fair value through profit or loss’ – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Company’s right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

Assets carried at amortised cost
For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

<u>Assets classified as available-for-sale</u>

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

3.14 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include bank loans, accounts payable and due to a related party and are stated at their nominal value. Bank loans are subsequently measured at amortized cost applying the effective interest method.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income or expense is recognized on an effective interest basis for debt instruments, other than those financial instruments classified as fair value through profit or loss.

3.15 Reclassification

Following reclassifications have been made in the comparative 2015 financial statements to conform to 2016 presentation:

<u>Statement of comprehensive income</u>

For better presentation, 'other income' amounting to Saudi Riyals 572,781 has been reclassified and presented in 'lease income' on the face of statement of comprehensive income.

<u>Notes to the financial statements</u>

(a) For better presentation, 'other pre-payments' amounting to Saudi Riyal 643,608 has been reclassified and presented in 'prepaid insurance' within 'prepayments and other receivables' in the notes to the financial statements.

In addition to these reclassifications, certain items in the balance sheet have been reclassified due to change in presentation as the Company has presented the items in the balance sheet based on the liquidity. Previously, the items were presented under current/non-current basis as permitted under IAS 1 'presentation of financial statements'. Refer Note 2 for further details.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(All amounts in Saudi Riyals unless otherwise stated)

Impairment of investment in finance lease

The Company reviews its investment in finance lease at each reporting date to assess whether an allowance for impairment should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

5. Cash and cash equivalents

	2016	2015
Cash in hand	**1,153,752**	2,406,796
Cash at banks	**15,730,883**	18,491,863
	16,884,635	20,898,659

6. Net investment in finance lease

	Note	2016	2015
Gross investment in finance lease		**299,971,065**	312,995,404
Less: Unearned finance income and other related credits		**(77,416,076)**	(69,117,148)
Net investment in finance lease		**222,554,989**	243,878,256
Less: Impairment against investment in finance lease	6.2	**(19,777,409)**	(28,147,448)
		202,777,580	215,730,808

6.1 Details of investment in finance lease

	December 31, 2016			
	Gross investments in finance lease	Unearned finance income and other related credits	Impairment against net investment in finance lease	Net investments in finance lease
Less than a year	**101,166,932**	**(25,099,412)**	**(19,777,409)**	**56,290,111**
One to five years	**198,804,133**	**(52,316,664)**	**-**	**146,487,469**
	299,971,065	**(77,416,076)**	**(19,777,409)**	**202,777,580**

	December 31, 2015			
	Gross investments in finance lease	Unearned finance income and other related credits	Impairment against net investment in finance lease	Net investments in finance lease
Less than a year	137,225,626	(25,478,031)	(28,147,448)	83,600,147
One to five years	175,769,778	(43,639,117)	-	132,130,661
	312,995,404	(69,117,148)	(28,147,448)	215,730,808

The Company's implicit rate of return on leases ranges between 9% and 11% per annum. These are secured by promissory notes from the customer and against leased assets.

Amounts due after one year represents minimum lease payments under finance lease contracts, which are due for payment by customers after one year from the statement of financial position date.

(All amounts in Saudi Riyals unless otherwise stated)

Following are the scheduled maturities of the net investment in finance lease from one to five years:

Years ending December 31:

2018	**39,073,844**
2019	**33,406,494**
2020	**30,340,190**
2021	**43,368,115**
2022	**298,826**
	146,487,469

6.2 The movement in impairment against net investment in finance lease is as follows:

	2016	2015
January 1 / March 31	**28,147,448**	24,351,710
Charge	**4,800,000**	3,923,642
Write-offs	**(13,170,039)**	(127,904)
December 31	**19,777,409**	28,147,448

The ageing of investment in finance lease which are past due but not considered impaired by the management is as follows:

	2016	2015
Less than 90 days	**3,475,315**	3,685,036
91-180 days	**1,645,579**	2,289,375
181-365 days	**1,443,400**	2,452,376
More than 365 days	**22,475,057**	36,723,102
	29,039,351	45,149,889
Impairment against net investment in finance lease	**(19,777,409)**	(28,147,448)
Total	**9,261,942**	17,002,441

The not yet due portion of the above balances included in investment in finance lease is Saudi Riyals 84.32 million (2015: Saudi Riyals 75.03 million).

During the year, the Company has sold its finance lease receivables (investment in finance lease) amounting to Saudi Riyals 164.8 million (2015: nil) to a financial institution and derecognized the same from its books and has recorded a net gain of Saudi Riyals 9.9 million on such derecognition. Also, the Company had sold and derecognized finance lease receivables in prior years. Outstanding position of such sold receivables has been disclosed in note 21.

Further, the Company has entered into an arrangement for servicing such sold finance lease receivables on behalf of the financial institutions. In respect of these sold finance lease receivables, the Company acts in the capacity of a servicing agent for subsequent collection of lease instalments on behalf of the financial institutions. The Company has calculated and accounted for a net servicing liability under such agreement with these financial institutions which is disclosed in note 21.

7. Prepayments and other receivables

	Note	2016	2015
Restricted deposits	7.1	**96,379,065**	83,999,821
Prepaid insurance		**11,684,965**	11,996,023
Receivable from employees		**1,943,503**	1,955,923
Other prepayments and receivables		**4,297,364**	1,879,719
		114,304,897	99,831,486

(All amounts in Saudi Riyals unless otherwise stated)

7.1 The Company has been appointed as a servicing agent for the sold receivables to the financial institutions therefore the financial institutions require the Company to keep certain balance as restricted deposit against such services for sold receivables. These deposits will be released at the end of securitization contracts and are recorded at their fair value. The non-current portion of these restricted deposits is amounting to Saudi Riyals 53 million (2015: Saudi Riyals 83.9 million).

8. Property and equipment

	January 1, 2016	Additions	Disposal	December 31, 2016
Cost				
Leasehold improvements	3,803,063	-	-	**3,803,063**
Furniture and fixtures	3,610,851	32,485	-	**3,643,336**
Motor vehicles	553,747	-	(102,733)	**451,014**
Office equipment	982,454	52,584	-	**1,035,038**
	8,950,115	85,069	(102,733)	**8,932,451**
Accumulated depreciation				
Leasehold improvements	(2,309,424)	(356,468)	-	**(2,665,892)**
Furniture and fixtures	(3,409,681)	(140,513)	-	**(3,550,194)**
Motor vehicles	(465,881)	(84,304)	102,732	**(447,453)**
Office equipment	(953,176)	(32,340)	-	**(985,516)**
	(7,138,162)	(613,625)	102,732	**(7,649,055)**
	1,811,953			**1,283,396**

	March 31, 2015 (Date of the ministerial resolution) (Note1)	Additions	Disposal	December 31, 2015
Cost				
Leasehold improvements	3,803,063	-	-	3,803,063
Furniture and fixtures	3,542,292	68,559	-	3,610,851
Motor vehicles	553,747	-	-	553,747
Office equipment	961,666	20,788	-	982,454
	8,860,768	89,347	-	8,950,115
Accumulated depreciation				
Leasehold improvements	(2,031,652)	(277,772)	-	(2,309,424)
Furniture and fixtures	(3,292,776)	(116,905)	-	(3,409,681)
Motor vehicles	(392,266)	(73,615)	-	(465,881)
Office equipment	(936,744)	(16,432)	-	(953,176)
	(6,653,438)	(484,724)	-	(7,138,162)
	2,207,330			1,811,953

9. Share capital

The share capital of the Company as of December 31, 2016, 2015 was comprised of 100,000 shares stated at Saudi Riyals 1,000 per share owned as follows:

	Nationality	Shareholding 2016	Shareholding 2015
Modern Ajwad for Commercial Investment Co. Ltd.	Saudi	**60.0%**	60.0%
Tawad Commercial Investment Co. Ltd.	Saudi	**37.5%**	37.5%
Saudi Diesel Equipment Co. Ltd.	Saudi	**1.0%**	1.0%
Trans Arabian Technical Services Co. Ltd.	Saudi	**1.0%**	1.0%
Arabian Properties Co. Ltd.	Saudi	**0.5%**	0.5%
		100%	100%

10. Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company. During the years 2016 and 2015, no amount has been transferred due to losses incurred.

(All amounts in Saudi Riyals unless otherwise stated)

11. Related party transactions

During the years, the Company has transactions with Universal Motors Agencies ("UMA"), an affiliate.

Significant transactions with related party in the ordinary course of business included in the financial statements are summarized below:

	For the year ended December 31, 2016	For the period from March 31, 2015 (Date of the Ministerial Resolution for Conversion to A Saudi Closed Joint Stock Company) to December 31, 2015
Purchase of motor vehicles	**219,442,147**	144,261,712
Finance cost charged by UMA	**5,644,588**	1,000,000

Compensation of key management personnel

	2016	2015
Salaries and bonuses paid / accrued to key management personnel	**2,422,599**	1,244,773
Remuneration of Board of Directors	**1,080,000**	-
End of service indemnities accrued during the year	**132,916**	69,084

Due to related party

Significant year-end balance arising from transactions with a related party is as follows:

	Relationship	2016	2015
Universal Motors Agencies	Affiliate	**150,541,729**	144,347,100

12. Accrued and other liabilities

	2016	2015
Employee related accruals	**3,029,717**	2,622,608
Accrued board of directors remuneration	**1,080,000**	-
Advances from customers	**3,540,510**	4,242,305
Other accruals	**358,021**	27,225
	8,008,248	6,892,138

(All amounts in Saudi Riyals unless otherwise stated)

13. Provision for zakat

13.1 Components of zakat base

The significant components of the zakat base, for the years ended December 31, 2016 and 2015, on the basis used by the Company in filing its zakat declaration are comprised of the following:

	2016	2015
Shareholders' equity at beginning of the year / period	**123,794,541**	133,268,610
Provisions at beginning of the year / period	**17,315,584**	21,878,856
Adjusted net income for the year / period	**4,440,196**	262,926
Property and equipment	**(1,283,396)**	(1,811,954)

Zakat is payable at 2.5 percent of higher of the approximate zakat base and adjusted net income attributable to the Saudi shareholders.

13.2 Provision for zakat

	2016	2015
January 1 / March 31	**3,534,907**	4,656,936
Charge	**3,490,401**	2,871,375
Payments	**(3,778,517)**	(3,993,404)
December 31	**3,246,791**	3,534,907

Status of final assessments

The Company has filed its zakat declarations with General Authority of Zakat and Tax (the “GAZT”) till 2015 and has received final zakat assessments till the year 2010. The Zakat declarations for the year 2011 to 2015 are still under review of GAZT.

14. Post-employment benefits

	2016	2015
January 1 / March 31	**2,476,369**	2,471,041
Charge	**630,137**	422,476
Payment	**(138,194)**	(417,148)
December 31	**2,968,312**	2,476,369

15. Operating lease arrangements

	2016	2015
Less than a year	**1,374,525**	1,374,525
One years to five years	**5,338,100**	5,387,100
	6,712,625	6,761,625

Operating lease payments represent rentals payable by the Company for office premises.

16. General and administrative expenses

	Note	For the year ended December 31, 2016	For the period from March 31, 2015 (Date of the Ministerial Resolution for Conversion to a Saudi Closed Joint Stock Company) to December 31, 2015
Salaries and allowances		**21,014,725**	15,017,919
Building rent		**1,674,525**	1,255,894
Professional charges		**2,267,487**	852,432
Depreciation	5	**613,625**	484,724
Repair and maintenance		**532,080**	296,870
Other		**1,913,967**	1,344,867
		28,016,409	19,252,706

17. Other operating cost

	For the year ended December 31, 2016	For the period from March 31, 2015 (Date of the Ministerial Resolution for Conversion to a Saudi Closed Joint Stock Company) to December 31, 2015
Insurance cost	**6,039,122**	692,213
Losses due to early settlement of finance lease contracts	**4,920,504**	3,915,627
	10,959,626	4,607,840

18. Financial risk management

The Company's activities are exposed to a variety of financial risks which mainly include market risk (including foreign currency risk, interest rate risk and price risk) credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial statements. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

18.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, interest rate risk and price risk.

18.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As the Company's transactions are principally in Saudi Riyals, the Company is not exposed to currency risk.

(All amounts in Saudi Riyals unless otherwise stated)

18.1.2 Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is limited as all the Company's financial assets have fixed interest rates. Applicable interest rates for the same have been disclosed in their respective notes.

18.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. As at December 31, 2016 and 2015, the Company has no investments and is not exposed to price risk.

18.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk is generally limited to principal amounts and accrued profit thereon, if any. The Company has established procedures to manage credit exposure including credit approvals, credit limits, collateral and guarantee requirements. The Company also manages risk through a credit department which evaluates customers' credit worthiness and obtains adequate securities where applicable.

The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

Out of the total assets of Saudi Riyals 335.25 million (2015: Saudi Riyals 338.27 million) the assets which were subject to credit risk amounted to Saudi Riyals 317.35 million (2015: Saudi Riyals 321.94 million).

The maximum exposure to credit risk at the reporting date is:

	2016	**2015**
Net investment in finance lease	**202,777,580**	215,730,808
Restricted deposits	**96,379,065**	83,999,821
Other receivables	**1,309,519**	1,309,519
Cash and cash equivalents	**15,730,883**	18,491,863
	316,197,047	319,531,011

The Company provides leased assets to retail and fleet customers. Retail customers consist of individuals whereas small businesses are classified by the Company as fleet customers. Concentration of the Company's customer base on the basis of percentage of the outstanding balance of gross investment in finance lease as at December 31 is as follows:

	2016	**2015**
Retail	**91.6%**	90.1%
Fleet	**8.4%**	9.9%
	100%	100%

The Company has an effective rental monitoring system which allows it to evaluate customers' credit worthiness and identify potential problem accounts. An allowance for potential lease, installment and other loan losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease, installment and other loan portfolio that can be reasonably anticipated.

(All amounts in Saudi Riyals unless otherwise stated)

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history. However, the rating for quality of Company's investments cannot be determined due to the fact that the customer base of the Company consist of small businesses and individual customers for which such data is not readily available.

See note 6 for ageing of net investment in finance lease which are past due.

The credit quality of the Company's bank balances are assessed with reference to external credit ratings which, in all cases, are above investment grade rating. The bank balances along with credit ratings are tabulated below:

	2016	**2015**
A+	**-**	4,479,357
A	**5,801,342**	-
A-	**9,929,541**	14,012,506
	15,730,883	18,491,863

18.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. As at December 31, 2016 current liabilities of the Company have exceeded current assets by Saudi Riyals 71.2 million (2015: Saudi Riyals: 73.2 million). The Company's financial liabilities primarily consist of accounts payable, accrued and other liabilities. Even though significant portion of these liabilities are expected to be settled within 12 months from the reporting date, the Company expects to have adequate liquid funds to settle its current liabilities through close monitoring of due to both current assets and current liabilities.

The Company's management has prepared its business plan and cash flow forecasts for the twelve months from the reporting date taking into consideration the nature and condition of business, the degree to which it is effected by external factors and other financial data available at the time of preparation of such forecasts. Further, significant portion of the Company's accounts payable related to payable to UMA which maintains an open account with the Company and the Company expects to continue to obtain support from UMA for the next twelve months from the reporting data.

Following is the contractual maturities of financial liabilities as at December 31, 2016 and 2015:

At December 31, 2016	**Less than 6 months**	**6-12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
Accounts payable	**150,546,091**	**-**	**-**	**-**	**150,546,091**
Other liabilities and accruals	**10,824,634**	**-**	**-**	**-**	**10,824,634**
Net servicing liability	**6,376,267**	**10,104,432**	**8,576,643**	**5,940,486**	**30,988,828**
	167,746,992	**10,104,432**	**8,576,643**	**5,940,486**	**192,359,553**

At December 31, 2015	**Less than 6 months**	**6-12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
Accounts payable	144,445,401	-	-	-	144,445,401
Other liabilities and accruals	10,387,035	-	-	-	10,387,035
Net servicing liability	8,955,266	6,929,044	10,316,681	6,275,899	32,476,890
	8,955,266	6,929,044	10,316,681	6,275,899	187,309,326

The present value of the net servicing liability is Saudi Riyals 29.5 million (2015: 32.4 million).

18.4 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business.

(All amounts in Saudi Riyals unless otherwise stated)

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to its shareholders or increase its share capital. Further, the Company monitors aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA. SAMA requires Finance Companies engaged in financing other than real estate, to maintain aggregate financing to capital ratio of three times.

	2016	**2015**
Aggregate financing to capital ratio (Net investment in finance lease divided by total equity)	**1.71 times**	1.74 times

18.5 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The Company's financial assets consist of cash and cash equivalents, other receivables, investments in finance lease and financial liabilities consisting of due to related parties, accrued expenses and other liabilities.

19. Financial risk factors

The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

Determination of fair value and fair value hierarchy.

The Company, if applicable, uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the identical assets or liabilities (i.e. without modification or repacking).

Level 2: quoted prices in active markets for similar financial assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

20. Seasonality of operations

The principal activity of the Company is to provide finance lease services to customers and its activities are evenly spread during the year.

21. Finance lease receivables – securitization and agency agreements

In accordance with the terms of certain securitization and agency agreements, the Company has sold finance lease receivables to various financial institutions.

The Company continues to manage these derecognized finance lease receivables as a servicer in accordance with the securitization and agency agreements entered into with the financial institution (see note 6). The Company is continuing to manage these sold receivables for an agreed fee which is netted-off with related cost of servicing these finance lease receivables sold to financial institution.

The outstanding position of such off statement of financial position finance lease receivables is as follows:

	2016	**2015**
Finance lease receivables sold under securitization agreements	**339,333,382**	357,426,715

Maturity profile of finance lease receivable sold under securitized deals are as follows:

	December 31, 2016	
	Less than one year	**One to five year**
Securitization agreements	**160,927,419**	**178,394,963**

	December 31, 2015	
	Less than one year	**One to five year**
Securitization agreements	149,254,559	208,172,107

Net servicing liability for sold receivable

Under the securitization and agency agreements, the Company has been appointed by the financial institutions to service the purchased receivables. Where the Company is appointed to service the derecognized financial assets for a fee, the Company initially recognises either a net servicing asset or a net servicing liability for that servicing contract at its fair value.

The fair value of net servicing asset/ liability is determined based on the present value of estimated future cash flows related to contractually specified servicing fees less servicing costs. The primary determinants of the fair value of net servicing asset/ liability are discount rates, estimates of servicing costs and the fixed servicing fees. The management assesses the cost of servicing including salaries and other direct costs. The annual change in the servicing cost represents the increment to the servicing cost as a result of inflation.

Variations in one or a combination of these assumptions could materially affect the estimated values of net servicing liability. Evaluation of impairment is performed on a quarterly basis taking into consideration historical trends, past experience and forecasts of defaults and prepayments.