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

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

DAR AL-ETIMAN SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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Independent auditor's report to the shareholders of Dar Al Etiman Al Saudi 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 Dar Al Etiman Al Saudi 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 as modified by Saudi Arabian Monetary Authority (SAMA) for the accounting of 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 income 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 a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's 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 International Financial Reporting Standards as modified by SAMA for the accounting of 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.

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Independent auditor's report to the shareholders of Dar Al Etiman Al Saudi Company (continued)

Auditor's 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 auditor's 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, that are 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 auditor's 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 auditor's 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 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.

Independent auditor's report to the shareholders of Dar Al Etiman Al Saudi Company (continued)

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 and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

PricewaterhouseCoopers

Mufaddal Ali
License Number 447

March 4, 2018

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
س.ت ٤٠٣٠٢٨٩٠٠٢
PRICE WATER HOUSE COOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25
C.R. 4030289002

DAR AL-ETIMAN AL 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, 2017	2016
Assets			
Cash and cash equivalents	5	**21,121,002**	16,884,635
Net investment in finance lease	6	**183,876,023**	202,777,580
Prepayments and other receivables	7	**94,108,586**	114,304,897
Available-for-sale investment	8	**892,850**	-
Property and equipment	9	**961,534**	1,283,396
Total assets		**300,958,995**	335,250,508
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	10	**100,000,000**	100,000,000
Statutory reserve	11	**4,454,606**	4,350,135
Retained earnings		**11,093,566**	13,999,221
Total shareholders' equity		**115,548,172**	118,349,356
Liabilities			
Accounts payable	12	**146,353,349**	173,169,733
Accrued and other liabilities	13	**7,929,797**	8,008,248
Provision for zakat	14	**3,613,807**	3,246,791
Net servicing liability under agency agreement	22	**24,696,769**	29,508,068
Post-employment benefits	15	**2,817,101**	2,968,312
Total liabilities		**185,410,823**	216,901,152
Total shareholders' equity and liabilities		**300,958,995**	335,250,508

These financial statements have been approved by the management on March 4, 2018 and signed on their behalf by:

Director

Chief Financial Office

The notes on pages 9 to 27 form an integral part of these financial statements.

DAR AL-ETIMAN AL 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, 2017	2016 Restated
Income			
Lease income		**22,897,906**	21,076,506
Fee and other processing income		**13,241,093**	13,434,523
Income from sale of finance lease receivables, net	6	**13,498,025**	9,827,417
Other income	17	**7,860,246**	3,127,393
Total income		**57,497,270**	47,465,839
Expenses			
Finance cost, net	12	**(7,067,754)**	(5,644,588)
General and administrative	18	**(26,913,308)**	(28,016,409)
Impairment of net investment in finance lease	6	**(10,939,658)**	(4,800,000)
Other operating costs	19	**(11,531,837)**	(10,959,626)
Total expenses		**(56,452,557)**	(49,420,623)
Profit / (loss) for the year		**1,044,713**	(1,954,784)
Other comprehensive income		**-**	-
Total comprehensive income / (loss) for the year		**1,044,713**	(1,954,784)

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

	Note	Share capital	Statutory reserve	Retained earnings	Total
Balance as at January 1, 2016		100,000,000	4,350,135	19,444,406	123,794,541
Total comprehensive loss for the year (as restated)	21	-	-	(1,954,784)	(1,954,784)
Zakat charge for the year (as restated)	21	-	-	(3,490,401)	(3,490,401)
Balance as at December 31, 2016		**100,000,000**	**4,350,135**	**13,999,221**	**118,349,356**
Total comprehensive income for the year		-	-	**1,044,713**	**1,044,713**
Transfer to statutory reserve		-	**104,471**	**(104,471)**	-
Zakat charge for the year	14	-	-	**(3,845,897)**	**(3,845,897)**
Balance as at December 31, 2017		**100,000,000**	**4,454,606**	**11,093,566**	**115,548,172**

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DAR AL-ETIMAN AL 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, 2017	2016
Cash flow from operating activities			
Profit / (loss) for the year		**1,044,713**	(1,954,784)
Adjustments for:			
Depreciation on property and equipment	9	**454,492**	613,625
Impairment charge against investment in finance lease	6	**10,939,658**	4,800,000
Provision for post-employment benefits	15	**620,264**	630,137
Gain on disposal of property and equipment		**-**	(49,795)
Finance cost, net		**(7,067,754)**	(5,644,588)
Changes in working capital:			
Prepayments and other receivables		**(3,630,927)**	(2,094,167)
Restricted deposits		**23,827,238**	(12,379,244)
Accounts payable		**(19,748,630)**	9,716,260
Accrued and other liabilities		**(78,451)**	1,116,110
Net servicing liability under agency agreement		**(4,811,299)**	(2,968,822)
Cash generated from / (utilized in) operating activities		**1,549,304**	(8,215,268)
Post-employment benefits paid	15	**(771,475)**	(138,194)
Zakat paid	14	**(3,478,881)**	(3,778,517)
Net cash utilized in operating activities		**(2,701,052)**	(12,131,979)
Cash flow from investing activities			
Investment in finance lease		**(129,956,601)**	(124,843,772)
Cash received on sale of finance lease receivables		**137,919,500**	132,997,000
Additions to property and equipment	9	**(132,630)**	(85,069)
Available-for-sale investment		**(892,850)**	-
Proceeds from disposal of property and equipment		**-**	49,796
Net cash generated from investing activities		**6,937,419**	8,117,955
Net change in cash and cash equivalents		**4,236,367**	(4,014,024)
Cash and cash equivalents at the beginning of the year		**16,884,635**	20,898,659
Cash and cash equivalents at the end of the year	5	**21,121,002**	16,884,635

These financial statements have been approved by the management on March 4, 2018 and signed on their behalf by:

Director

Chief Financial Office

The notes on pages 9 to 27 form an integral part of these financial statements.

1. General information

Dar Al-Etiman Al 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/201605 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

Compliance with IFRS

The financial statements of the Company 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.

Until 2016, zakat was charged to the statement of comprehensive income. Refer Note 3.7 for the accounting policy of zakat and Note 21 for the impact of change in the accounting policy resulting from the SAMA Circular.

Historical cost convention

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

(All amounts in Saudi Riyals unless otherwise stated)

2. Statement of compliance and basis of preparation (continued)

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, 2017:

Standard	*Description*
IAS 7	Amendments to IAS 7, Statement of cash flows on disclosure initiative. These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities
Annual improvements 2014–2016	
IFRS 12	'Disclosure of interests in other entities' regarding clarification of the scope of the standard. This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information

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.

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*
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
IAS 40	Amendment to IAS 40, 'Investment property' relating to transfers of investment property	January 1, 2018
IFRS 16	Leases	January 1, 2019
Annual improvements 2014–2016:		
IFRS 1	'First-time adoption of IFRS', regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10	January 1, 2018
IAS 28	'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value	January 1, 2018
IFRIC 22	'Foreign currency transactions and advance considerations'	January 1, 2018

The Company has chosen not to early adopt the aforementioned new standards which have been issued but not yet effective for the Company's accounting years beginning on or after January 1, 2018 and is currently assessing their impact.

2. Statement of compliance and basis of preparation (continued)

2.1 Adoption of new and revised standards (continued)

Adoption of the above standards except for IFRS 9 will not result in any material impact on the Company. Adoption of IFRS 9 will impact the Company due to introduction of a new impairment model for financial assets. The new impairment model requires the recognition of impairment provisions based on the forward looking Expected Credit Loss (ECL) rather than only incurred credit losses as is the case under IAS 39. The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The above parameters are generally derived from internally developed statistical models, other historical data and are adjusted for forward looking information. The Company will categorize its financial assets into following three stages in accordance with IFRS 9 methodology:

- Stage 1: Performing assets: Financial assets that have not significantly deteriorated in credit quality since origination. The impairment allowance will be recorded based on 12 months ECL.
- Stage 2: Underperforming assets: Financial assets that have significantly deteriorated in credit quality since origination. The impairment allowance will be recorded based on lifetime ECL.
- Stage 3: Impaired assets: For Financial assets that are impaired, the Company will recognize the impairment allowance based on lifetime ECL.

The Company will also consider the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

Based on the assessments undertaken to date, the Company expects an increase in the allowance for impairment in investment in finance lease by approximately 15% - 20% on the date of initial application arising due to application of expected credit loss model as against incurred loss model. The management is currently in the process of assessing the full impact on the financial statements of the Company.

3. Summary of significant accounting policies

The following is a summary of significant accounting policies applied by the Company:

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 are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance lease are recognized as receivables at the amount of the Company's net investments in the leases. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Gross investment in finance lease represents the gross lease payments receivable to 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.

3.3 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 any component accounted for as a separate asset is derecognized when replaced.

All other repairs and maintenance are charged to statement of other comprehensive income during the reporting period in which they are incurred. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated rates of depreciation of the principal classes of assets are as follows:

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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.

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.

3. Summary of significant accounting policies (continued)

3.6 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 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 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.

3.7 Zakat

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 statement of changes in shareholders' equity as explained in note 2. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

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

3.8 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.

3.9 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 statement of comprehensive income on a straight-line basis over the period of the lease.

3.10 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. Summary of significant accounting policies (continued)

3.11 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.

(iv) Other operating income

It is recorded when earned and realized.

3.12 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.

3.13 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) 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 amortized 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.

(iii) 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.

3. Summary of significant accounting policies (continued)

3.13 Investments and other financial assets (continued)

(iv) 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 in the accompanying 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.

(v) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset including investment in finance lease or group of financial assets is impaired. A financial asset including investment in finance lease or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

<u>Assets carried at amortized cost</u>

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 recognized in statement of comprehensive income. 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 recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

<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 recognized in profit or loss is removed from equity and recognized in profit or loss.

Impairment losses on equity instruments that were recognized 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 recognized in profit or loss, the impairment loss is reversed through profit or loss.

3. Summary of significant accounting policies (continued)

3.13 Investments and other financial assets (continued)

(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 amortized 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 recognized 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 amortized cost of the security are recognized in profit or loss and other changes in the carrying amount are recognized 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 recognized 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 recognized in the statement of profit or loss as part of revenue from continuing operations.

(vii) Income recognition

Finance income

Finance income is recognized using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Finance income on impaired loans is recognized using the original effective interest rate.

Dividends

Dividends are recognized as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

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.

(All amounts in Saudi Riyals unless otherwise stated)

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.

Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

a) 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.

b) Fair value measurement

The Company measures financial instruments at fair value at each reporting date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

c) *Going* concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, these financial statements continue to be prepared on going concern basis.

5. Cash and cash equivalents

	2017	2016
Cash in hand	**1,434,475**	1,153,752
Cash at banks	**19,686,527**	15,730,883
	21,121,002	16,884,635

6. Net investment in finance lease

	Note	2017	2016
Gross investment in finance lease		**280,919,018**	299,971,065
Less: Unearned finance income and other related credits		**(72,630,438)**	(77,416,076)
		208,288,580	222,554,989
Less: Impairment against investment in finance lease	6.2	**(24,413,557)**	(19,777,409)
Net investment in finance lease		**183,875,023**	202,777,580

(All amounts in Saudi Riyals unless otherwise stated)

6. Net investment in finance lease (continued)

6.1 Details of investment in finance lease

	December 31, 2017			
	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	**99,874,546**	**(23,827,089)**	**(24,413,557)**	**51,633,900**
One to five years	**181,044,472**	**(48,803,349)**	**-**	**132,241,123**
	280,919,018	**(72,630,438)**	**(24,413,557)**	**183,875,023**

	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

The Company's implicit rate of return on leases ranges between 9% and 11% per annum (2016: 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.

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

Years ending December 31:

2019	**32,795,336**
2020	**31,623,582**
2021	**34,864,262**
2022	**30,821,403**
2023	**2,136,540**
	132,241,123

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

	2017	2016
January 1	**19,777,409**	28,147,448
Charge	**10,939,658**	4,800,000
Write-offs	**(6,303,510)**	(13,170,039)
December 31	**24,413,557**	19,777,409

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

	2017	2016
Less than 90 days	**4,751,534**	3,475,315
91-180 days	**2,619,508**	1,645,579
181-365 days	**2,746,848**	1,443,400
More than 365 days	**21,917,748**	22,475,057
	32,035,638	29,039,351
Less: Impairment against net investment in finance lease	**(24,413,557)**	(19,777,409)
	7,622,081	9,261,942

The not yet due portion of the above-mentioned overdue balances included within investment in finance lease is Saudi Riyals 95.5 million (2016: Saudi Riyals 84.32 million).

(All amounts in Saudi Riyals unless otherwise stated)

6. Net investment in finance lease (continued)

6.3 During the year, the Company has sold its finance lease receivables (investment in finance lease) amounting to Saudi Riyals 171.3 million (2016: 164.8 million) to a financial institution and derecognized the same from its books and has recorded a net gain of Saudi Riyals 13.5 million (2016: 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 22.

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 22.

6.4 Based on the SAMA regulations, the aggregate amount of income suspended on aged finance lease receivables as at December 31, 2017 amounted to Saudi Riyals 1.57 million (2016: Nil).

7. Prepayments and other receivables

	Note	2017	2016
Restricted deposits	7.1	**72,551,827**	96,379,065
Prepaid insurance		**12,580,050**	11,684,965
Receivable from employees		**1,869,603**	1,943,503
Other prepayments and receivables		**7,107,106**	4,297,364
		94,108,586	114,304,897

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 55.8 million (2016: Saudi Riyals 57.8 million).

8. Available-for-sale investment

During the year, the Company has contributed an amount of Saudi Riyals 892,850 in the share capital of Saudi Company for Lease Contracts Registration, a Saudi joint stock company registered in the Kingdom of Saudi Arabia. As at December 31, 2017 the Company holds 89,285 shares in Saudi Company for Lease Contracts Registration that represents 2% of total share capital of that company. The Saudi Company for Lease Contracts Registration is currently in development stage and has not yet started its operations.

9. Property and equipment

	January 1, 2017	Additions	Disposal	December 31, 2017
Cost				
Leasehold improvements	3,803,063	-	-	**3,803,063**
Furniture and fixtures	3,643,336	120,708	-	**3,764,044**
Motor vehicles	451,014	-	-	**451,014**
Office equipment	1,035,038	11,922	-	**1,046,960**
	8,932,451	132,630		**9,065,081**
Accumulated depreciation				
Leasehold improvements	(2,665,892)	(356,469)	-	**(3,022,361)**
Furniture and fixtures	(3,550,194)	(64,639)	-	**(3,614,833)**
Motor vehicles	(447,453)	(3,561)	-	**(451,014)**
Office equipment	(985,516)	(29,823)	-	**(1,015,339)**
	(7,649,055)	(454,492)	-	**(8,103,547)**
	1,283,396			**961,534**

(All amounts in Saudi Riyals unless otherwise stated)

9. Property and equipment (continued)

	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

10. Share capital

The share capital of the Company as of December 31, 2017, 2016 was comprised of 100,000 shares stated at Saudi Riyals 1,000 per share owned as follows:

	Nationality	Shareholding 2017	2016
Modern Ajwad for Commercial Investment Co. Ltd.	Saudi	**60.0%**	60.0%
Tawad Holding Company (formerly "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%

11. 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, no amount was transferred due to losses incurred.

12. Related party transactions

During 2017 and 2016, 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:

	2017	2016
Purchase of motor vehicles	**190,138,269**	219,442,147
Finance cost charged by UMA	**6,986,450**	5,644,588

Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	2017	2016
Salaries and bonuses paid / accrued to key management personnel	**1,789,114**	2,422,599
Remuneration of Board of Directors	**540,000**	1,080,000
End of service indemnities accrued during the year	**92,301**	132,916

(All amounts in Saudi Riyals unless otherwise stated)

12. Related party transactions (continued)

Due to related party

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

	Relationship	2017	2016
Universal Motors Agencies	Affiliate	**110,519,256**	150,541,729

Remaining balance of accounts payable represents other payables and the temporary timing differences of amounts collected from customers and payable to banks against securitization and agency agreement (Note 22).

13. Accrued and other liabilities

	2017	2016
Employee related accruals	**5,086,673**	3,029,717
Accrued board of directors remuneration	**540,000**	1,080,000
Advances from customers	**517,789**	3,540,510
Other accruals	**1,785,335**	358,021
	7,929,797	8,008,248

14. Zakat matters

14.1 Components of zakat base

The significant components of the zakat base, under zakat and income tax regulations, is principally comprised of shareholders' equity, provisions at the beginning of year, and adjusted net income, less deductions for the net book value of property and equipment, and certain other items.

The principal elements of the zakat base are as follows:

	2017	2016
Shareholders' equity at beginning of the year	**118,349,356**	123,794,541
Provisions at beginning of the year	**15,438,646**	17,315,584
Adjusted net income for the year	**12,604,146**	4,440,196
Property and equipment	**(1,839,868)**	(1,283,396)

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

14.2 Provision for zakat

	2017	2016
January 1	**3,246,791**	3,534,907
Charge	**3,845,897**	3,490,401
Payments	**(3,478,881)**	(3,778,517)
December 31	**3,613,807**	3,246,791

Status of final assessments

The Company has filed its zakat declarations with General Authority of Zakat and Tax (the "GAZT") till 2016 and has received final zakat assessments till the year 2010. The zakat declarations for the year 2011 to 2016 are still under review of GAZT.

(All amounts in Saudi Riyals unless otherwise stated)

15. Post-employment benefits

	2017	2016
January 1	**2,968,312**	2,476,369
Charge	**620,264**	630,137
Payments	**(771,475)**	(138,194)
December 31	**2,817,101**	2,968,312

16. Operating lease arrangements

	2017	2016
Less than a year	**1,334,525**	1,374,525
One year to five years	-	1,334,525
	1,334,525	2,709,050

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

17. Other Income

	2017	2016
Recovery against written-off investment in finance lease	**3,588,219**	1,981,622
Reversal of prior year excess accruals	**3,363,668**	-
Other	**908,359**	1,145,771
	7,860,246	3,127,393

18. General and administrative expenses

		2017	2016
Salaries and allowances		**20,382,864**	21,014,725
Building rent		**1,704,526**	1,674,525
Professional charges		**2,245,806**	2,267,487
Depreciation	9	**454,492**	613,625
Repair and maintenance		**385,683**	532,080
Other		**1,739,937**	1,913,967
		26,913,308	28,016,409

19. Other operating costs

	2017	2016
Insurance cost	**6,642,556**	6,039,122
Losses due to early settlement of finance lease contracts	**4,889,281**	4,920,504
	11,531,837	10,959,626

20. 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.

20. Financial risk management (continued)

20.1 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.

20.1.1 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.

20.1.2 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.

20.1.3 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, 2017, the Company has an investment in available for sale securities that are exposed to price risk, however, the impact has not been considered as the investee Company is yet to formalize and start operations.

20.2 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 300.9 million (2016: Saudi Riyals 335.2 million) the assets which were subject to credit risk amounted to Saudi Riyals 282 million (2016: Saudi Riyals 316.2 million).

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

	2017	2016
Net investment in finance lease	**183,875,023**	202,777,580
Restricted deposits	**72,551,827**	96,379,065
Other receivables	**5,886,852**	1,309,519
Cash at banks	**19,686,527**	15,730,883
	282,000,229	316,197,047

(All amounts in Saudi Riyals unless otherwise stated)

20. Financial risk management (continued)

20.2 Credit risk (continued)

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:

	2017	2016
Retail	**92.6%**	90.1%
Fleet	**7.4%**	8.4%
	100%	98.5%

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.

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:

	2017	2016
A	**-**	5,801,342
A-	**13,581,661**	9,929,541
BBB+	**6,104,866**	-
	19,686,527	15,730,883

20.3 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, 2017 current liabilities of the Company have exceeded current assets by Saudi Riyals 58.56 million (2016: Saudi Riyals: 71.2 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 its 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 date.

Following is the contractual maturities of financial liabilities as at December 31, 2017 and 2016:

At December 31, 2017	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Total
Accounts payable	**146,353,349**	**-**	**-**	**-**	**146,353,349**
Other liabilities and accruals	**7,929,797**	**-**	**-**	**-**	**7,929,797**
Net servicing liability	**6,651,038**	**5,068,451**	**7,468,351**	**6,777,680**	**25,965,520**
	160,934,184	**5,068,451**	**7,468,351**	**6,777,680**	**180,248,666**

(All amounts in Saudi Riyals unless otherwise stated)

20. Financial risk management (continued)

20.3 Liquidity risk (continued)

At December 31, 2016	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Total
Accounts payable	173,169,733	-	-	-	173,169,733
Other liabilities and accruals	8,008,248	-	-	-	8,008,248
Net servicing liability	6,376,267	10,104,432	8,576,643	5,931,486	30,988,828
	187,554,248	10,104,432	8,576,643	5,931,486	212,166,809

The present value of the net servicing liability is Saudi Riyals 24.7 million (2016: 29.5 million).

20.4 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.

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 which requires Finance Companies engaged in financing other than real estate, to maintain aggregate financing to capital ratio of three times.

	2017	2016
Aggregate financing to capital ratio (Net investment in finance lease divided by total equity)	**1.57 times**	1.71 times

Equity includes all capital and reserves of the Company that are managed as capital.

20.5 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, available-for-sale investment and financial liabilities consisting of due to related parties, accrued expenses and other liabilities.

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.

As at December 31, 2017 and 2016, all the financial instruments which are fair valued are level 2 instruments that includes derivative financial instruments, which have been calculated by the Company using mid-market quotation valuation. Management believes that the fair value of available-for-sale investment is equal to its cost.

Therefore, no impact of the change in the fair value of the investment has been recognized in these financial statements.

There were no transfers between levels during the years ended December 31, 2017 and 2016.

(All amounts in Saudi Riyals unless otherwise stated)

21. Change in accounting policy

The change in the accounting policy for zakat (as explained in Note 2) has the following impact on the statements of comprehensive income and the statement of changes in shareholders' equity:

For the year ended December 31, 2016:

	As previously reported	Effect of restatement	As restated
Statement of comprehensive income			
Zakat	3,490,401	(3,490,401)	-
Loss for the year	(5,445,185)	3,490,401	(1,954,784)
Total comprehensive loss for the year	(5,445,185)	3,490,401	(1,954,784)
Statement of changes in shareholders' equity			
Total comprehensive loss for the year	(5,445,185)	3,490,401	(1,954,784)
Zakat charge for the year	-	(3,490,401)	(3,490,401)

The above change in accounting policy did not have any effect on the statement of financial position as of December 31, 2016 and the statement of cash flows for the year ended December 31, 2016.

22. 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:

	2017	2016
Finance lease receivables sold under securitization agreements	315,010,368	339,333,382

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

	December 31, 2017	
	Less than one year	One to five year
Securitization agreements	135,170,527	179,839,841

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

22. Finance lease receivables – securitization and agency agreements (continued)

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 recognizes 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.

23. Approval of financial statements

These financial statements have been authorised for issue by the management on March 4, 2018.