TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)

SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017
WITH
INDEPENDENT AUDITORS' REPORT

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
SPECIAL PURPOSE FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017
(Expressed in Saudi Riyals)

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Licence No. 46/11/323 issued 11/3/1992

Independent auditors' report

The Shareholders
Tamweel AlOula Company
(Closed Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Opinion

We have audited the special purpose financial statements ("financial statements") of Tamweel AlOula Company ("the Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss, the statements of other comprehensive income, cash flows and changes in shareholders' equity for the period from 1 January to 31 December 2017, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the period from 1 January to 31 December 2017 in accordance with International Financial Reporting Standards ("IFRS") and Saudi Arabian Monetary Agency ("SAMA") guidance for the accounting of Zakat and income tax.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Special Purpose Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the special purpose financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2.1 to the accompanying special purpose financial statements, which describes that these special purpose financial statements have been prepared for the period from 1 January 2017 to 31 December 2017 for the management use only for the purpose of comparison of the financial performance. As a result, these special purpose financial statements may not be suitable for any other purpose. Our opinion is not modified in respect of this matter.

KPMG

Responsibilities of Management and Those Charged with Governance for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with IFRS and SAMA guidance for the accounting of Zakat and income tax and for such internal control as management determines is necessary to enable the preparation of these special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these special purpose 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 is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Special Purpose Financial Statements

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

- Identify and assess the risks of material misstatement of these special purpose 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, then we are required to draw attention in our auditors' report to the related disclosures in these special purpose financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Auditors' Responsibilities for the Audit of the Special Purpose Financial Statements (continued)

- Evaluate the overall presentation, structure and content of these special purpose 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 of **Tamweel AlOula Company**.

For KPMG Al Fozan & Partners
Certified Public Accountants

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Certified Public Accountants
KPMG Al Fozan & Partners

Tareq Abdulrahman Al Sunaid
License No: 419
Al Khobar, 4 March 2018G
Corresponding to: 16 Jumada II 1439H

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
SPECIAL PURPOSE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
(Expressed in Saudi Riyals)

	Note	31 December 2017 (Audited)	31 December 2016 (Unaudited)
ASSETS			
Non-current assets			
Property and equipment	3	**1,801,902**	2,231,883
Intangible assets	4	**2,563,280**	2,884,044
Net investment in finance leases	5	**139,229,274**	162,476,304
Equity Investment	6	**892,850**	-
Total non-current assets		**144,487,306**	167,592,231
Current assets			
Current maturity of net investment in finance leases	5	**121,154,586**	133,418,636
Prepayments and other receivables	7	**4,198,873**	13,120,359
Cash and cash equivalents	8	**60,988,646**	3,478,331
Total current assets		**186,342,105**	150,017,326
TOTAL ASSETS		**330,829,411**	317,609,557
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	9	**250,000,000**	250,000,000
Statutory reserve	10	**4,492,620**	2,490,090
Retained earnings		**38,952,223**	21,332,803
TOTAL SHAREHOLDERS' EQUITY		**293,444,843**	273,822,893
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	11	**2,229,367**	1,897,235
Total non-current liabilities		**2,229,367**	1,897,235
Current liabilities			
Loans from a shareholder	12	-	1,284,924
Accounts payable	13	**18,529,653**	25,462,163
Due to related parties	12	**11,590,435**	5,209,052
Accrued expenses and other liabilities	14	**4,159,190**	8,855,286
Provision for zakat	15	**875,923**	1,078,004
Total current liabilities		**35,155,201**	41,889,429
TOTAL LIABILITIES		**37,384,568**	43,786,664
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**330,829,411**	317,609,557

Mr.Hani Hassan Abdulah Alafaliq Chairman	**Mr. Muhammad Luqman Sharif** Chief Executive Officer	**Mr. Ahmad Abdel Azeem** Chief Financial Officer

The accompanying notes from 1 to 26 form an integral part of these special purpose financial statements.

(Expressed in Saudi Riyals)

	Note	**For the period from 1 January to 31 December 2017 (Audited)**	For the period from 1 January to 31 December 2016 (Unaudited)
INCOME			
Income from operations			
Finance lease	16	**47,910,349**	58,986,641
Other income	17	**1,746,683**	637,279
Total income		**49,657,032**	59,623,920
EXPENSES			
Special commission expenses and bank charges	18	**(311,081)**	(2,065,828)
Insurance expenses for finance leasing activities		**(9,512,439)**	(14,400,377)
Allowance for doubtful debts		**-**	(4,230,629)
Salaries and employee related expenses		**(11,987,913)**	(11,914,236)
Rent and premises related expenses		**(922,433)**	(850,000)
Depreciation and amortization		**(1,007,369)**	(670,129)
Other general and administrative expenses	19	**(5,890,493)**	(3,927,744)
Total expenses		**(29,631,728)**	(38,058,943)
PROFIT FOR THE PERIOD		**20,025,304**	21,564,977
Earnings per share - basic and diluted	20	**0.80**	0.86

The accompanying notes from 1 to 26 form an integral part of these special purpose financial statements.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
SPECIAL PURPOSE STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017
(Expressed in Saudi Riyals)

	For the period from 1 January to 31 December 2017 (Audited)	For the period from 1 January to 31 December 2016. (Unaudited)
Profit for the period	**20,025,304**	21,564,977
Other comprehensive income	**-**	-
Total comprehensive income for the period	**20,025,304**	21,564,977

The accompanying notes from 1 to 26 form an integral part of these special purpose financial statements.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
SPECIAL PURPOSE STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017
(Expressed in Saudi Riyals)

	Note	**For the period from 1 January to 31 December 2017 (Audited)**	For the period from 1 January to 31 December 2017 (Unaudited)
OPERATING ACTIVITIES			
Profit for the period		**20,025,304**	21,564,977
Adjustments:			
Depreciation and amortization	3,4	**1,007,369**	670,129
Special commission expenses and bank charges	17	**311,081**	2,065,828
Employees' end of service benefits	10	**457,700**	848,756
Allowance for doubtful debts		**-**	4,230,629
Loss / (Gain) on disposal of property and equipment		**13,273**	(36,161)
		21,814,727	29,344,158
Changes in:			
Net investment in finance leases	5	**35,511,080**	66,266,396
Prepayments and other receivables	6	**8,921,486**	6,537,881
Due to related parties	11	**6,381,383**	5,209,052
Accounts payable		**(6,932,510)**	(824,592)
Accrued expenses and other liabilities	13	**(4,696,096)**	3,802,249
Cash from operating activities		**61,000,070**	110,335,144
Employees' end of service benefits paid	10	**(125,568)**	(102,816)
Zakat paid during the year	14	**(605,435)**	-
Special commission expenses and bank charges paid	17	**(311,081)**	(2,065,828)
Net cash from operating activities		**59,957,986**	108,166,500
INVESTING ACTIVITIES			
Acquisition of property and equipment	3	**(306,902)**	(3,850,459)
Disposal of property and equipment		**37,005**	1,201,051
Acquisition of equity Investment		**(892,850)**	-
Net cash used in investing activities		**(1,162,747)**	(2,649,408)
FINANCING ACTIVITIES			
Repayment of loans from a shareholder	11	**(3,197,884)**	(102,852,713)
Proceeds of loan from a shareholder	11	**1,912,960**	-
Net cash used in financing activities		**(1,284,924)**	(102,852,713)
Net increase in cash and cash equivalents		**57,510,315**	2,664,379
Cash and cash equivalents at beginning of the period	7	**3,478,331**	813,952
Cash and cash equivalent at end of the period	7	**60,988,646**	3,478,331

The accompanying notes from 1 to 26 form an integral part of these special purpose financial statements.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
SPECIAL PUSRPOSE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2017
(Expressed in Saudi Riyals)

	Share capital	**Statutory reserve**	**Retained earnings**	**Total**
1 January 2016	250,000,000	333,592	2,657,366	252,990,958
Profit for the period	-	-	21,564,977	21,564,977
Zakat - Note 2.3 & 15	-	-	(733,042)	(733,042)
Transfer to statutory reserve	-	2,156,498	(2,156,498)	-
31 December 2016 (Unaudited)	250,000,000	2,490,090	21,332,803	273,822,893
Profit for the period	-	-	**20,025,304**	**20,025,304**
Zakat for the period - Note 2.3 & 15	-	-	**(403,354)**	**(403,354)**
Transfer to statutory reserve	-	**2,002,530**	**(2,002,530)**	-
31 December 2017 (Audited)	**250,000,000**	**4,492,620**	**38,952,223**	**293,444,843**

The accompanying notes from 1 to 26 form an integral part of these special purpose financial statements.

(Expressed in Saudi Riyals)

1. CORPORATE INFORMATION

Tamweel AlOula Company (the "Company") is a Saudi closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company is registered in Dammam under commercial registration number 2050055043 dated 15 Ramadan 1436 corresponding to 2 July 2015 and operating under company license number 39/A Sh/201512 dated 21 Safar 1437H corresponding to 3 December 2015 issued by Saudi Arabian Monetary Agency ("SAMA").

The principal activities of the Company are finance and consumer lease.

The Company's registered office is located in Dammam at the following address:

Tamweel AlOula Company
Al Khobar Dammam Highway
Al Kifah Tower
P.O. Box 7355, Dammam 31462
Kingdom of Saudi Arabia

In accordance with the By-laws of the Company, the Company acquired the operations, related assets and liabilities of Tamweel for Trading and Installments, a branch of Al Kifah Trading Company (a shareholder), as at 2 July 2015. The details of net assets acquired are as follows:

	Amount
Cash and cash equivalents	16,866,415
Net investment in finance leases	463,387,079
Allowance for lease losses	(8,892,725)
Advances, prepayments and other receivables	3,069,010
Property and equipment, net	3,045,610
Intangible assets, net	45,189
Pre – organization expenses	2,362,716
Capital work in progress	3,112,500
Total assets	**482,995,794**
Long term loans from related parties	(303,829,810)
Accounts payable	(36,284,233)
Accrued expenses and other liabilities	(4,743,372)
Employees' end of service benefits	(1,105,110)
Total liabilities	**(345,962,525)**
Net assets transferred	**137,033,269**

Cash consideration paid by the Company is equal to the book value of net assets transferred which approximate the fair market value.

Furthermore, in October 2015, the Company has disposed off certain financial assets (investment in finance lease) to Al Kifah Trading Company (a shareholder), amounted to SR 66.8 million. Lease receivables and related unearned lease finance income transferred were amounted to SR 71.5 million and SR 4.7 million, respectively. (Refer to note 5.6).

Management has notified SAMA about these transactions in order to obtain a no-objection letter as required by Implementing Regulations of the Finance Companies Control Law.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION

2.1 Statement of compliance

During 2017, SAMA issued a Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for Zakat. The impact of these amendments is that the Zakat is to be accrued on a quarterly basis and recognized in special purpose statement of changes in shareholders' equity with a corresponding liability recognized in the special purpose statement of financial position.

Applying the above framework, the special purpose financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as required by the Implementing Regulation of the Finance Companies Control Law and SAMA guidance for the accounting of Zakat and income tax.

Until 2016, the special purpose financial statements of the Company were prepared in accordance with International Financial Reporting Standards (IFRS). Accordingly, these special purpose financial statements are not intended to be a presentation in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia, as issued by the Saudi Organization for Certified Public Accountants (SOCPA). This change in framework resulted in a change in accounting policy for Zakat and income tax (as disclosed in note 2.3).

During the period, the Board of Directors of the Company have decided to change the fiscal year for the Company to 31 December. Accordingly, the first financial period of the Company to commence from 1 October 2017 to 31 December 2018 upon issuing the revised By-laws of the Company which has not yet been modified and finalizing the legal formalities for this change which are still under process and future financial statements will be prepared for full fiscal year from 1 January to 31 December and thereafter every twelve months ending 31 December. The Company has issued its statutory financial statements for the year ended 30 September 2017.

However, these special purposes financial statements have been prepared for the period from 1 January 2017 to 31 December 2017 for the management use only for the purpose of comparison of the financial performance.

2.2 Basis of measurement

These special purpose financial statements are prepared on a historical cost convention using the accrual basis of accounting and the going concern concept.

2.3 Accounting policies

Following accounting policies have been applied in preparation of these special purpose financial statements. These policies have been applied consistently for all period presented.

During the year, the Company changed its accounting policy relating to the presentation of Zakat provision which was previously presented in special purpose statement of income. In line with changes in accounting policy referred to in note 2.1 Zakat provision is directly charged to special purpose statement of changes in shareholders' equity.

The change in accounting policy resulted in increase in profit for the year ended 31 December 2016 by SR 0.733 million. Had there been no change in the accounting policy the profit for the year ended 31 December 2017 would have been lowered by SR 0.454 million. This change does not have any impact on financial position or equity of the Company, therefore, no column for restated financial period ended 31 December 2017 has been presented.

2.4 New standards, amendments to standards and interpretations - not yet effective

The accounting policies used in the preparation of these special purpose financial statements are consistently applied, except for the adoption of certain amendments and revisions to existing standards as mentioned below, which are effective for periods beginning on or after 1 January, 2018 but had no significant financial impact on the special purpose financial statements of the Company:

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION *(Continued)*

2.4 New standards, amendments to standards and interpretations - not yet effective *(Continued)*

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

The following revised IFRSs have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current year and prior period year but may affect the accounting for future transactions or arrangements

- Disclosure initiative (Amendment to IAS 7), effective for annual period on or after 1 January 2017.
- Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12) effective for annual period on or after 1 January 2017.
- Annual improvements to IFRSs 2014 - 2016 Cycle - various standards, effective for annual period on or after 1 January 2017.

b) Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2018 and have not been early adopted by the Company

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's special purpose financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing after January 1, 2018;

- Implementation of IFRS 9 'Financial instruments', effective 1 January, 2018. This replaces IAS 39, 'financial instruments: Recognition and measurement' and all previous versions of IFRS 9. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Company is in the process to assess the implication of IFRS 9.

- IFRS 16 Leases, effective for annual period on or after 1 January 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The Company is assessing the potential impact on its special purpose financial statements resulting from the application of IFRS 16.

- The IASB issued IFRS 17 in May 2017. IFRS 17 will be mandatorily effective for annual reporting periods beginning on or after 1 January 2021. Once effective, IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION *(Continued)*

2.4 New standards, amendments to standards and interpretations - not yet effective *(Continued)*

b) Standards, interpretations and amendments to published standards that will be effective for the periods commencing after 1 January, 2018 and have not been early adopted by the Company *(Continued)*

The following new or amended standards are not expected to have significant impact on the special purpose financial statements.

- IFRS 15 Revenue from contracts with customers, effective for annual period on or after 1 January 2018.
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) effective for annual period on or after 1 January 2018.
- Transfers of Investment Property (Amendments to IAS 40) effective for annual period on or after 1 January 2018.
- Annual Improvements to IFRSs 2014-2016 Cycle - various standards (Amendments to IFRS 1 and IAS 28) effective for annual period on or after 1 January 2018.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration effective for annual period on or after 1 January 2018.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) effective for annual period on or after to be determined.

2.5 Significant accounting judgments, estimates and assumptions

The preparation of these special purpose financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are 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.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to these special purpose financial statements:

a) Determining the residual values and useful lives of property and equipment (Note 2.6.1);
b) Allowance for lease losses (Note 2.6.4);
c) Zakat (Note 2.3, 2.6.5 and Note 14);
d) Employees' end of service benefits (Note 2.6.17 and Note 10);
e) Determining useful life of intangible assets (Note 2.6.2)
f) Valuation of equity investment (Note 2.6.21 and Note 6)

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION *(Continued)*

2.6 The principle accounting policies adopted in the preparation of these financial statements which are consistently applied, are set out below:

2.6.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. 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. Cost incurred to replace a component of an item of property and equipment is capitalized and the asset so replaced is retired from use. All other repairs and maintenance expenditures are charged to the special purpose statement of income during the period in which they are incurred.

Depreciation is charged using the straight line method over its estimated useful life as mentioned below, after taking into account residual value.

	Number of years
Leasehold improvements	5
Office furniture and fixtures	4
Tools and equipment	5
Information technology equipment	4-5

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 disposal of property and equipment, if any, are taken to the special purpose statement of income in the period in which they arise.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each special purpose statement of financial position date.

2.6.2 Intangible assets

Intangible assets, including Enterprise Resources Planning ("ERP") software acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in special purpose statement of income.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.6.3 Net investment in finance leases

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. Finance leases are recorded at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Gross investment in finance leases include the total of future lease payments on finance leases (lease receivables), plus estimated residual amounts receivable. The difference between the lease receivables and the cost of the leased asset is recorded as unearned lease finance income and for presentation purposes, is deducted from the gross investment in finance leases. The Company takes down payments on leases with the right to set off against the residual value of leased assets and for presentation purposes, these down payments along with prepaid lease rentals are deducted from gross investment in finance leases.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION *(Continued)*

2.6 The principle accounting policies adopted in the preparation of these financial statements which are consistently applied, are set out below *(Continued)*

2.6.4 Allowances and provisions

Allowances for lease losses
The Company reviews its lease receivables on a monthly basis to assess whether specific allowances for impairment should be recorded in the special purpose statement of income. 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 allowances 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 allowances.

In addition to specific allowances against individually significant lease receivables, the Company also makes a collective impairment allowance against lease receivables which although not specifically identified as requiring a specific allowance have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal grade of the exposure since it was granted. The amount of the allowance 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 past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each special purpose statement of financial position date and are adjusted to reflect the current best estimates.

2.6.5 Zakat
Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Income Tax (the "GAZT") in the Kingdom of Saudi Arabia and on accrual basis. Zakat is charged to the changes in shareholders' equity.

2.6.6 Expenses
Expenses are recognized in the special purpose statement of income and other comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses are presented using the nature of expense method.

2.6.7 Financial instruments
Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires.

On derecognition of a financial asset or financial liability, the difference between the carrying amount and the consideration received (and receivable) or paid (and payable) is recognised in the special purpose statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION *(Continued)*

2.6 The principle accounting policies adopted in the preparation of these financial statements which are consistently applied, are set out below *(Continued)*

2.6.8.1 Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Management determines the classification of the financial asset at the time of initial recognition.

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent *measurement*
For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

The Company has not designated any financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial investments and derivatives designated as hedges instruments.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the special purpose statement of financial position date which are classified as non-current assets. Loans and receivables comprise of loans, advances, deposits, prepayments, other receivables and cash and cash equivalents. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment. Restructured/ rescheduled receivables are recorded at revised terms and conditions as approved by the management. Restructuring policies and practices are based on indicators or criteria which, indicate that payment will most likely continue.

2.6.8.2 Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other financial liabilities, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable, other liabilities, loans and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification as financial liabilities at fair value through profit or loss or "other financial liabilities".

The Company has not designated any financial liability as fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION *(Continued)*

2.6 The principle accounting policies adopted in the preparation of these financial statements which are consistently applied, are set out below *(Continued)*

2.6.8.2 Financial liabilities *(Continued)*

Other financial liabilities
Other financial liabilities (including loans and borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs relating to long term loans and borrowings are being amortized over the period of agreement using the effective interest rate method.

2.6.9 Fair value measurement
The Company measures financial instruments, at fair value at each special purpose statement of financial position date.

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 of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

2.6.10 Regular way Contracts
Regular way purchases or sales of financial assets are those, the contract which requires delivery of assets within the timeframe generally established by regulation or convention in the market. All "regular way" purchases and sales of financial assets are recognized on the settlement date, i.e. the date on which the asset is delivered to or by the Company.

2.6.11 Offsetting
Financial assets and liabilities are offset and are reported net in the special purpose statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Similarly, income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements.

2.6.12 Cash and cash equivalents
Cash and cash equivalents include cash in hand and at banks including investments with original maturity of less than three months from the contract date.

2.6.13 Functional and presentation currency
Items included in these special purpose financial statements are measured using the currency of the primary economic environment in which the Company operates. These special purpose financial statements are presented in Saudi Arabian Riyals which is the Company's functional and presentation currency. All financial information presented in Saudi Arabian Riyals has been rounded to the nearest Riyal, unless otherwise mentioned.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION *(Continued)*

2.6 The principle accounting policies adopted in the preparation of these financial statements which are consistently applied, are set out below *(Continued)*

2.6.14 Foreign currency translation
Transactions in foreign currencies are translated at the rates of exchange prevailing at the dates of the respective transactions. At special purpose statement of financial position date, monetary assets and liabilities in foreign currencies are translated to Saudi Arabian Riyals at the prevailing exchange rates. Gains and losses resulting from changes in exchange rates are recognized as income or expense. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction are not retranslated at special purpose statement of financial position date.

2.6.15 Proposed dividend and transfer between reserves
Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the special purpose statement of financial position date are considered as non-adjusting events and are recorded in the financial statements in the year in which they are approved and transfers are made.

2.6.16 Revenue recognition
Finance lease income is recognized over the term of the lease using the effective yield method. Service fees charged in respect of processing and other services are recognized as income as the services are rendered.

Administrative fee income is recognised on a straight line method over the contract life.

Other income is recognized when earned.

2.6.17 Employees' end of service benefits
The Company provides end-of-service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and charged to special purpose statement of income/ profit or loss.

2.6.18 Impairment and uncollectability of assets

Financial assets:
An assessment is made at each special purpose statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. Objective evidence whether the financial assets are impaired includes:

Default or delinquency by a lessee' restricting of an amount due to the Company on terms that the Company would not consider otherwise; indications that the party from whom an amount is due to the Company will enter bankruptcy, adverse changes in payment status of the lessee; or observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

If such evidence exists, an impairment loss is recognized in the special purpose statement of 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 recognized in the special purpose statement of income;

(b) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION *(Continued)*

2.6 The principle accounting policies adopted in the preparation of these financial statements which are consistently applied, are set out below *(Continued)*

Non-financial assets:

An assessment is made at each special purpose statement of financial position date to determine whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating unit (CGU), fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

2.6.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of special commission expense and other costs that the Company incurs in connection with the borrowing of funds.

2.6.20 Statutory reserve

As required by Regulations for Companies and the Company's By-laws, 10% of the income for the period should be transferred to the statutory reserve. This reserve is not available for distribution. As per the By-laws, the Company may resolve to discontinue such transfers when the reserve totals 30% of the capital.

2.6.21 Equity investment

Equity investments principally consist of less than 20% share in quoted and unquoted equity investments, which are not held for trading purposes and where the Company does not have any significant influence or control. These are initially recognized at cost being the fair value of the consideration received and subsequently re-measured at fair value. Any changes in fair value are recognized in shareholders equity as fair value reserve until the investment is disposed. Any significant or prolonged decline in value of the equity investments, if any, is charged to the special purpose statement of income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the special purpose statement of financial position.

(Expressed in Saudi Riyals)

3. PROPERTY AND EQUIPMENT

	Leasehold improvements	Office furniture and fixtures	Tools and equipment	Information technology equipment	Total
	(Audited)				
Cost:					
1 January 2017	**1,558,354**	**676,643**	**460**	**860,375**	**3,095,832**
Additions	**180,000**	**49,518**	**-**	**77,384**	**306,902**
Disposals	**(1,420)**	**(147,131)**	**-**	**(67,868)**	**(216,419)**
31 December 2017	**1,736,934**	**579,030**	**460**	**869,891**	**3,186,315**
Accumulated depreciation;					
1 January 2017	**348,211**	**276,891**	**284**	**238,563**	**863,949**
Charge for the period	**320,457**	**151,712**	**115**	**214,321**	**686,605**
Disposals	**(1,419)**	**(107,240)**	**-**	**(57,482)**	**(166,141)**
31 December 2017	**667,249**	**321,363**	**399**	**395,402**	**1,384,413**
Net book value:					
31 December 2017	**1,069,685**	**257,667**	**61**	**474,489**	**1,801,902**

	Leasehold improvements	Office furniture and fixtures	Tools and equipment	Information technology equipment	Total
	(Unaudited)				
Cost:					
1 January 2016	2,685,559	1,226,335	5,280	250,313	4,167,487
Additions	-	63,837	-	674,122	737,959
Disposals	(1,127,206)	(613,529)	(4,820)	(64,060)	(1,809,615)
31 December 2016	1,558,354	676,643	460	860,375	3,095,832
Accumulated depreciation;					
1 January 2016	494,217	492,162	3,492	117,562	1,107,433
Charge for the period	88,507	133,131	1,056	178,547	401,241
Disposals	(234,513)	(348,402)	(4,264)	(57,546)	(644,725)
31 December 2016	348,211	276,891	284	238,563	863,949
Net book value:					
31 December 2016	1,210,143	399,752	176	621,812	2,231,883

(Expressed in Saudi Riyals)

4. INTANGIBLE ASSETS:

	31 December 2017 (Audited)	31 December 2016 (Unaudited)
Cost:		
At the beginning of the period	**3,160,067**	47,567
Additions	**-**	3,112,500
At the end of the period	**3,160,067**	3,160,067
Accumulated amortization:		
At the beginning of the period	**276,023**	7,135
Charged during the period	**320,764**	268,888
At the end of the period	**596,787**	276,023
Net book value	**2,563,280**	2,884,044

Intangible balance represents the cost of Enterprise Resources Planning ("ERP") software.

5. NET INVESTMENT IN FINANCE LEASES

	31 December 2017 (Audited)	31 December 2016 (Unaudited)
Lease receivables	**285,276,220**	326,667,651
Residual value	**55,762,313**	66,969,257
Gross investment in finance leases	**341,038,533**	393,636,908
Unearned lease finance income	**(67,531,319)**	(84,618,614)
Net investment in finance leases	**273,507,214**	309,018,294
Provision for lease losses	**(13,123,354)**	(13,123,354)
	260,383,860	295,894,940
Current maturity	**(121,154,586)**	(133,418,636)
	139,229,274	162,476,304

5.1 The movement in the provision for lease losses was as follows:

	31 December 2017 (Audited)	31 December 2016 (Unaudited)
Balance at the beginning of the period	**13,123,354**	8,892,725
Allowance for the period	**-**	4,230,629
	13,123,354	13,123,354

5.2 As at 31 December 2017, the outstanding net finance lease receivables were SR 260.38 million (2016: SR 295.89 million) and the provision for lease losses was SR 13.12 million (2016: SR 13.12 million). Out of these past due finance lease receivables and related gross balances, SR 80.7 million (2016: 165.7 million) were past due for a period of six months or less, SR 9.38 million (2016: 17.89 million) were past due for a period of more than six months but less than twelve months and SR 16 million (2016: 7.65 million) were past due more than one year.

(Expressed in Saudi Riyals)

5. NET INVESTMENT IN FINANCE LEASES *(Continued)*

5.3.1 The maturity of the gross investment in finance leases as at 31 December 2017 is as follows:

	Gross investment in finance leases	Unearned leases finance income	Net investment in finance leases
Not later than one year	**170,815,052**	**(36,537,112)**	**134,277,940**
Later than one year but not later than five years	**170,223,481**	**(30,994,207)**	**139,229,274**
	341,038,533	**(67,531,319)**	**273,507,214**

5.3.2 The maturity of the gross investment in finance leases as at 31 December 2016 is as follows:

	Gross investment in finance leases	Unearned leases finance income	Net investment in finance leases
Not later than one year	182,746,254	(36,204,264)	146,541,990
Later than one year but not later than five years	210,890,654	(48,414,350)	162,476,304
	393,636,908	(84,618,614)	309,018,294

5.4 The Company's implicit rate of return on leases is in market rate ranges. These are secured against leased assets and down payments which are generally up to 17% of the cost of leased asset, in case of finance leases. The Company's major activities for finance leases are for cars, heavy equipment and home appliances.

5.5 Lease rentals collected during the year aggregate to SR 170 million (2016: SR 177 million).

5.6 The Company has disposed off certain financial assets (investment in finance leases) as at 1st October 2015 to Al Kifah Trading Company (a shareholder), amounting to SR 66.8 million. Lease receivables and related unearned lease finance income transferred were amounted to SR 71.5 million and SR 4.7 million, respectively.

The management has notified SAMA about these transactions in order to obtain a no-objection letter as required by Implementing Regulations of the Finance Companies Control law.

5.7 The contractual rights and the titles of certain assets subject to the finance leases arrangements are under the name of Al Kifah Trading Company (a shareholder) amounting to SR 113 million and SR 232 million of net investment in finance leases as at 31 December 2017 and 2016 respectively. The shareholder has waived rights over these assets and confirmed that the risks and rewards pertaining to the assets have been transferred to the Company.

6. EQUITY INVESTMENT

Based on the instructions of Saudi Arabian Monetary Authority "SAMA" on December of 2017 to establish a new entity that will register the leasing contracts in the Kingdom of Saudi Arabia called "Saudi for Leasing Registration ("the Investee")". SAMA has instructed all leasing companies and banks to contribute to the capital of the new Company. The Company has contributed by SAR 892,850, consist of 89,285 shares (2% of total shares).

The Company has accounted for the investment at Cost in the absence of an open market for the investee's shares and the fact that fair values for investee's shares are not readily determinable.

7. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2017 (Audited)	31 December 2016 (Unaudited)
Prepayments	3,431,593	9,281,772
Insurance claims	574,162	3,443,932
Staff loans and custody	193,118	394,655
	4,198,873	13,120,359

8. CASH AND CASH EQUIVALENTS

	31 December 2017 (Audited)	31 December 2016 (Unaudited)
Cash in hand	119,065	333,979
Cash at banks	30,869,581	3,144,352
Short term deposit	30,000,000	-
	60,988,646	3,478,331

Short term bank deposits are denominated in Saudi Riyals with local banks and are made for a period of one month and carry interest rates ranging 1.35% to 1.55% (2016: Nil).

9. SHARE CAPITAL

The pattern of shareholding as of 31 December 2017 and 2016 is as follows:

	Percentage of ownership	Number of Shares	Amount - SR
Al Kifah Holding Company	80	20,000,000	200,000,000
International Developers Company	5	1,250,000	12,500,000
Al Kifah for Building Materials Company	5	1,250,000	12,500,000
Al Kifah Trading Company	5	1,250,000	12,500,000
Al Kifah Contracting Company	5	1,250,000	12,500,000
	100	25,000,000	250,000,000

10. STATUTORY RESERVE

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia, the Company has established a statutory reserve by appropriation of 10% of net income until the reserve is equal to 30% of the share capital.

11. EMPLOYEES' END OF SERVICE BENEFITS

	31 December 2017 (Audited)	31 December 2016 (Unaudited)
Balance at the beginning of the period	1,897,235	1,151,295
Provision during the period	457,700	848,756
Payments made during the period	(125,568)	(102,816)
Balance at the end of the period	2,229,367	1,897,235

The Company did not conduct actuarial valuation of employees' end of service liability as the management believes that the impact of actuarial valuation will not be material.

(Expressed in Saudi Riyals)

12. RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its business, the Company transacts business with its related parties, which include its parent company (Al Kifah Holding Company), affiliated Companies and other entities in which the principal shareholder has share of interest. Such transactions are dealt with on agreed terms and the terms and conditions of such transactions are approved by the Company's management. Following are the related parties of the Company and the amounts of significant transactions:

	For the period from 1 January to 31 December 2017 (Audited)	For the period from 1 January to 31 December 2016 (Unaudited)
Transactions:		
Al Kifah Holding Company – a shareholder		
Repayment of loan	**(3,197,884)**	(102,852,714)
Loan from a shareholder	**1,912,960**	-
Zakat paid on behalf of the Company	**605,435**	-
Advertising expenses	**226,744**	308,593
Amount paid against advertising expenses	**(175,598)**	(308,593)
Training expenses	**266,584**	-
Amount paid against training expenses	**(266,584)**	-
Services provided for security services	**130,988**	-
Services provided for human resource and customer care	**420,086**	-
Amount paid against services	**(400,574)**	-
Al Kifah for Building Materials Company (Al Kifah Building Equipments branch) – a shareholder		
Heavy machinery and equipment sales financed by the Company	**43,666,318**	12,062,000
Amount paid against machinery and equipment financed	**(40,312,818)**	(15,000,500)
Al Kifah Real Estate Company – an affiliate		
Annual rent for the Company's head office	**1,054,758**	850,000
Rent paid by the Company	**(1,779,963)**	-
Al Kifah Contracting Company – a shareholder		
Amount due against construction of new office	**180,000**	-
Amount paid against construction of new office	**(213,647)**	-
Al Kifah Information Technology Company – an affiliate		
Information technology fee	**736,529**	311,694
Amount paid against Information technology fee	**(647,278)**	(422,773)
Al Kifah Trading Company – an affiliate		
Assets purchased for the purpose of leases	**9,026,472**	59,754,970
Advanced received against customers	**2,681,402**	-
Amount paid against assets purchased	**(8,879,972)**	(63,615,618)

(Expressed in Saudi Riyals)

12. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

	For the period from 1 January to 31 December 2017 (Audited)	For the period from 1 January to 31 December 2016 (Unaudited)
Transactions:		
Al Kifah for Shore Advisory Services – an affiliate		
Services taken in respect of consultancy and advisory	**250,000**	75,000
Amount paid against services	**(187,500)**	(75,000)

i. The above mentioned transactions with related parties resulted in the following balances:

	31 December 2017 (Audited)	31 December 2016 (Unaudited)
Loans from a shareholder:		
Al Kifah Holding Company	-	1,284,924

	31 December 2017 (Audited)	31 December 2016 (Unaudited)
Due to related parties:		
Al Kifah for Building Materials Company	**7,675,000**	4,321,500
Al Kifah Holding Company	**807,082**	-
Al Kifah for Shore Advisory Services	**62,500**	-
Al Kifah Trading Company	**2,827,902**	-
Al Kifah for Real Estate Company	**124,795**	850,000
Al Kifah for Information Technology	**93,156**	3,905
Al Kifah Contracting Company	-	33,647
	11,590,435	5,209,052

ii. Key management personnel compensation comprised of the following transactions:

	For the period from 1 January to 31 December 2017 (Audited)	For the period from 1 January to 31 December 2016 (Unaudited)
Transactions:		
Compensation of key management executives	**958,877**	847,454
Directors' meeting attendance fee paid	**54,000**	30,000

13. ACCOUNTS PAYABLE

These represent non-interest bearing payables against purchase of assets leased by the Company. The average credit period on purchase of assets from certain suppliers is one month.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2017 (Audited)	31 December 2016 (Unaudited)
Accrued expenses	**2,210,854**	1,717,128
Advance from customers	**1,867,675**	6,901,756
Unallocated cash collections	**80,661**	236,402
	4,159,190	8,855,286

(Expressed in Saudi Riyals)

15. ZAKAT

a) Charge for the period

i) Zakat charge for the period comprises of the following:

	For the period from 1 January to 31 December 2017 (Audited)	For the period from 1 January to 31 December 2016 (Unaudited)
Charge for the period	**403,354**	733,042

ii) The significant components of Zakat base for the Company are as follows:

	31 December 2017 (Audited)	31 December 2016 (Unaudited)
Share capital	**250,000,000**	250,000,000
Current assets	**186,342,105**	150,017,326
Non-current assets	**144,487,306**	167,592,231
Current liabilities	**35,155,201**	41,889,429
Non-current liabilities	**2,229,367**	1,897,235
Profit for the period	**20,025,304**	21,564,977

Some of these amounts have been adjusted in arriving at Zakat charge for the year.

b) Provision for Zakat

The movement in provision for Zakat during the year 31 December is as follows:

	31 December 2017 (Audited)	31 December 2016 (Unaudited)
Balance at beginning of the period	**1,078,004**	344,962
Add: Charge for the period	**403,354**	733,042
Less: Payments during the period	**(605,435)**	-
Balance at end of the period	**875,923**	1,078,004

Provision for Zakat has been made at 2.5% of approximate Zakat base attributable to the Saudi shareholders of the Company.

c) Status of assessments

The Group management has filed Zakat and Income tax returns with the General Authority of Zakat and Tax (GAZT) on behalf of the Company as part of the group's consolidated return for the year ended 30 September 2016. The Company has obtained its Zakat certificate which was valid up to 11 August 2017 and no Zakat certificates have been obtained up to the date of issuing these financial statements.

(Expressed in Saudi Riyals)

16. FINANCE LEASE

Finance income includes SR 4.5 million (2016: SR 0.3 million) related to administration fee.

17. OTHER INCOME

	For the period from 1 January to 31 December 2017 (Audited)	For the period from 1 January to 31 December 2016 (Unaudited)
Discount from suppliers	**1,380,272**	141,346
Income from HRDF	**194,817**	464,124
Management fee	**120,000**	-
Income from term deposit	**51,594**	-
Gain on sales of fixed assets	**-**	31,809
	1,746,683	637,279

18. SPECIAL COMMISSION EXPENSES AND BANK CHARGES

	For the period from 1 January to 31 December 2017 (Audited)	For the period from 1 January to 31 December 2016 (Unaudited)
Special commission expense on long term loans from shareholders	**73,340**	1,677,345
Bank charges	**237,741**	388,483
	311,081	2,065,828

19. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the period from 1 January to 31 December 2017 (Audited)	For the period from 1 January to 31 December 2016 (Unaudited)
Governmental licenses and fees	**1,492,239**	1,471,767
Professional and consulting fees	**1,690,939**	658,626
Utilities expenses	**646,573**	504,624
Advertising expenses	**594,019**	393,522
Services charges	**690,153**	135,093
Visa, permits and licenses	**154,131**	130,937
Office supplies	**211,498**	204,206
Cleaning expenses	**71,751**	82,280
Repair and maintenance	**45,991**	-
Business entertainment	**160,648**	150,616
Other allowances	**250**	98,592
Other expenses	**132,301**	97,480
	5,890,493	3,927,744

20. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the shareholders by weighted average number of shares at the end of the period.

(Expressed in Saudi Riyals)

20. BASIC AND DILUTED EARNINGS PER SHARE *(Continued)*

Basic and diluted earning per share:	**For the period from 1 January to 31 December 2017 (Audited)**	For the period from 1 January to 31 December 2016 (Unaudited)
Net profit for the period	**20,025,304**	21,564,977
Weighted average number of outstanding shares:		
Number of shares	**25,000,000**	25,000,000
Basic and dilute earnings per share	**0.8**	0.86

21. OPERATING LEASE AGREEMENTS

Operating lease payments represent rental payable by the Company for its premises for a period from 1 to 5 years. Expense recognized for the period ended 31 December, and commitments for minimum lease payments under non-cancelable operating leases are as follows:

	For the period from 1 January to 31 December 2017 (Audited)	For the period from 1 January to 31 December 2016 (Unaudited)
Payments under operating lease recognized as expense during the period	**922,433**	850,000

	31 December 2017 (Audited)	31 December 2016 (Unaudited)
Within one year	**928,650**	850,000
Between two and five years	**90,750**	-

22. SEGMENT REPORTING

A segment is a distinguishable component that is engaged in providing leases (a business segment), which is subject to risks and rewards that are different from those of other segments.

The Company essentially monitors its business as a single business segment and accordingly it is management's opinion that segment reporting would not be relevant. The Company only operates in the Kingdom of Saudi Arabia.

23. CONTINGENCIES AND COMMITMENT

The Company has no commitments and contingent liabilities as at 31 December 2017 (2016: Nil).

24. FINANCIAL RISK MANAGEMENT

Risk is inherent in the Company's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability. The Company's activities are exposed to a variety of financial risks which mainly include market risk, credit risk and liquidity risk.

24. FINANCIAL RISK MANAGEMENT *(Continued)*

24.1 Risk management structure

Board of Directors

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.

Audit Committee

The audit committee is appointed by the Board of Directors. The audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company.

Internal Audit

All key operational, financial and risk management processes are audited by the Internal Audit. Internal audit examines the adequacy of the relevant policies and procedures, the Company's compliance with the internal policies and regulatory guidelines. Internal audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

The risks faced by the Company and the way these risks are mitigated by management are summarized below.

24.2 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 four types of risk: currency risk, other price risk, special commission rate risk and credit risk.

24.2.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial assets will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations as the majority of the monetary assets and liabilities are in Saudi Riyals or currencies which are pegged to the Saudi Riyal and consequently the Company does not hedge its foreign currency exposure.

24.2.2 Other price risk

Other 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 special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risk.

24.2.3 Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in market special commission rates. The Company is subject to variations in the fair value of its financial instruments and the net special commission income arising from changes to special commission rate risk on its borrowings, which are generally priced on the floating SIBOR.

24.3 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 Company has established procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral such

(Expressed in Saudi Riyals)

24. FINANCIAL RISK MANAGEMENT *(Continued)*

24.3 Credit risk *(Continued)*

as down payments and personal guarantees. Individual lease contracts generally are for terms not exceeding sixty-months.

The credit risks on gross amounts due in relation to the investment in finance leases is mitigated by the retention of title on leased assets and down payments.

	31 December 2017 (Audited)	31 December 2016 (Unaudited)
Net investment in finance leases	**260,383,860**	295,894,940
Other receivables	**767,280**	3,838,587
Bank balances and short term deposit	**60,869,581**	3,144,352
	322,020,721	302,877,879

24.3.1 Net investment in finance leases
The investment in finance leases generally expose to significant credit risk. Therefore, the Company has established a number of procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees.

The Company follows a credit classification mechanism, primarily driven by day's delinquency as a tool to manage the quality of credit risk of the lease portfolio. Lease receivables which are overdue for more than 3 months and where future cash flows are estimated to differ, are graded in to four sub-categories according to Company's internal rating system i.e. Overdue/Watch, Substandard, Doubtful and Loss.

As at 31 December 2017, the outstanding net finance lease receivables were SR 260.38 million (2016: SR 295.89 million) and the provision for lease losses was SR 13.12 million (2016: SR 13.12 million). Out of these past due finance lease receivables and related gross balances, SR 80.7 million (2016: 165.7 million) were past due for a period of six months or less, SR 9.38 million (2016: 17.89 million) were past due for a period of more than six months but less than twelve months and SR 16 million (2016: 7.65 million) were past due more than one year.

The portfolio that is neither past due nor impaired has satisfactory history of repayment, where applicable.

The Company as at 31 December 2017 has an allowance of SR 13.12 million (2016: SR 13.12 million) as specific allowance against past dues and general allowance. In addition, finance lease receivables are secured against leased assets.

The credit quality of Company's bank balances are assessed with reference to external credit ratings which all are above investment grade rating.

24.3.2 Geographical segment analysis
The Company's operations are restricted to Kingdom of Saudi Arabia only.

24.3.3 Collateral held as security and other credit enhancements
The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with the net investment in finance lease, is mitigated because the net investment in finance lease is secured against leased assets.

24.3.4 Bank balances and other receivables
Funds are placed with banks having good credit ratings and therefore are not subject to significant credit risk. Other receivables are neither significant nor exposed to significant credit risk.

(Expressed in Saudi Riyals)

24. FINANCIAL RISK MANAGEMENT *(Continued)*

24.3.5 Concentration risk

Concentrations of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The Company manages its credit risk exposure through diversification of leasing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

24.4 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. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The contractual maturities of liabilities have been determined on the basis of the remaining period at the special purpose statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Company's availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained. The table below summarizes the maturity profile of the Company's liabilities based on contractual undiscounted cash flows:

31 December 2017	Within 3 months SR	3 to 12 Months SR	1 to 5 years SR	No fixed maturity SR	Total SR
Liabilities					
Accounts payable	**18,529,653**	**-**	**-**	**-**	**18,529,653**
Accrued expenses and other liabilities	**-**	**4,159,190**	**-**	**-**	**4,159,190**
Due to related parties	**11,590,435**	**-**	**-**	**-**	**11,590,435**
Employees' end of service benefits	**-**	**-**	**-**	**2,229,367**	**2,229,367**
	30,120,088	**4,159,190**	**-**	**2,229,367**	**36,508,645**

(Expressed in Saudi Riyals)

24. FINANCIAL RISK MANAGEMENT *(Continued)*

24.4 Liquidity risk *(Continued)*

31 December 2016	Within 3 months SR	3 to 12 Months SR	1 to 5 years SR	No fixed maturity SR	Total SR
Liabilities					
Accounts payable	25,462,163	-	-	-	25,462,163
Accrued expenses and other liabilities	-	8,855,286	-	-	8,855,286
Loans from a shareholder	-	1,284,923	-	-	1,284,923
Due to related parties	-	5,209,052	-	-	5,209,052
Employees' end of service benefits	-	-	-	1,897,235	1,897,235
	25,462,163	15,349,261	-	1,897,235	42,708,659

24.5 Fair values of financial assets and financial liabilities

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 (i.e. an exit price). The Company's financial assets consist of cash and cash equivalents, short-term deposits, finance lease receivables, due from related parties and its financial liabilities consist of accrued expenses and other liabilities and, due to related parties.

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

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

All financial assets and financial liabilities are measured at amortized cost. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values.

24.6 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.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2017.

25. CHANGE IN ACCOUNTING PERIOD

During the year, the Board of Directors of the Company have decided to change the accounting period from 30 September to 31 December. However, the legal formalities for this change are still under process.

26. BOARD OF DIRECTORS' APPROVAL

These special purpose financial statements were approved on 4 March 2018G corresponding 16 Jumada II 1439H.