SAUDI FRANSI FOR FINANCE LEASING
(Closed Joint Stock Company)
Financial Statements
For the year ended 31 December 2016
together with the
Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To: The Shareholders
Saudi Fransi for Finance Leasing
(Closed Joint Stock Company)
Riyadh, Saudi Arabia

We have audited the accompanying financial statements of **Saudi Fransi for Finance Leasing -** Closed Joint Stock Company (the "Company") which comprise the statement of financial position as at 31 December 2016 and the related statement of income, statement of other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the period from 1 November 2015 to 31 December 2016 and the attached notes 1 through 27 which form an integral part of these financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as applicable in Kingdom of Saudi Arabia and in compliance with the Regulations for Companies and the Company's bye-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. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements taken as a whole:

i) present fairly, in all material respects, the financial position of **Saudi Fransi for Finance Leasing** ("the Company") as at 31 December 2016 and of its financial performance and its cash flows for the period from 1 November 2015 to 31 December 2016 in accordance with International Financial Reporting Standards; and

ii) comply with the requirements of the Regulations for Companies and the Company's bye-laws with respect to the preparation and presentation of the financial statements.

Emphasis of matter:

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
Licence No. 348

Date: 29 Jumada I 1438H
Corresponding to: 26 February 2017

SAUDI FRANSI FOR FINANCE LEASING
(Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2016
(Saudi Riyals)

	Note	31 December 2016
Assets		
Non-current assets		
Property and equipment	9	**553,159**
Intangible assets	7	**370,570**
Net investment in finance leases	5	**1,583,802,921**
		1,584,726,650
Current assets		
Current maturity of net investment in finance leases	5	**554,940,303**
Due from a related party	12	**123,904**
Advances, prepayments and other receivables	6	**31,072,482**
Cash and bank	4	**26,527,116**
		612,663,805
TOTAL ASSETS		**2,197,390,455**
EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	14	**500,000,000**
Statutory reserve	15	**7,160,730**
Cash flow hedge reserve	8	**(220,140)**
Accumulated profits		**50,590,473**
Total shareholders' equity		**557,531,063**
Liabilities		
Non-current liabilities		
Long term loan	13	**1,240,000,000**
Employees' end of service benefits		**509,907**
		1,240,509,907
Current liabilities		
Current maturity of long term loan	13	**310,000,000**
Accounts payable	10	**25,447,072**
Advance from customers		**26,041,774**
Due to related parties	12	**20,593,691**
Unearned income from dealer		**5,242,316**
Derivative Liability	8	**220,140**
Accrued expenses and other liabilities	11	**4,985,693**
Provision for zakat and income tax	18	**6,818,799**
		399,349,485
TOTAL LIABILITIES		**1,639,859,392**
TOTAL EQUITY AND LIABILITIES		**2,197,390,455**

The accompanying notes (1) through (27) form an integral part of these financial statements.

SAUDI FRANSI FOR FINANCE LEASING
(Closed Joint Stock Company)
STATEMENT OF INCOME
For the period from 1 November 2015 to 31 December 2016
(Saudi Riyals)

	Note	**For the Period from 1 November 2015 to 31 December 2016**
INCOME		
Income from operations		
Lease finance income		**109,285,824**
Fee income, net	*16*	42,112,132
		151,397,956
Income from other activities		
Other Income		**2,639,943**
Total Income		154,037,899
Operating expenses		
Salaries and employee related expenses		**(23,427,170)**
Rent		**(470,614)**
Depreciation	*9*	**(247,886)**
Amortization		**(573,635)**
General and administration expenses	*17*	**(4,433,167)**
Financial charges	*12*	**(42,749,620)**
Provision for impairment in finance lease	*5.1*	**(32,704,155)**
Total Expenses		(104,606,247)
Net income for the period		49,431,652
Earnings per share - basic and diluted		**0.99**

The accompanying notes (1) through (27) form an integral part of these financial statements.

SAUDI FRANSI FOR FINANCE LEASING
(Closed Joint Stock Company)
STATEMENT OF OTHER COMPREHENSIVE INCOME
For the period from 1 November 2015 to 31 December 2016
(Saudi Riyals)

	For the period from 1 November 2015 to 31 December 2016
Net income for the period	**49,431,652**
Other comprehensive income	
Items that are or may be reclassified to profit or loss in subsequent periods	
Cash flow hedges – effective portion of changes in fair value	(6,220,553)
Total comprehensive income for the period	43,211,099

The accompanying notes (1) through (27) form an integral part of these financial statements.

SAUDI FRANSI FOR FINANCE LEASING
(Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the period from 1 November 2015 to 31 December 2016
(Saudi Riyals)

	Share capital	Statutory reserve	Cash flow hedge reserve	Accumulated profits	Total
Transferred on 1st November 2015	**100,000,000**	**2,217,565**	**6,000,413**	**12,918,957**	**121,136,935**
Increase in Paid up Capital	**400,000,000**				**400,000,000**
Net income for the period	--	--	--	**49,431,652**	**49,431,652**
Transfer to statutory reserve	--	**4,943,165**	--	**(4,943,165)**	--
Cash flow hedge reserve	--	--	**(6,220,553)**	--	**(6,220,553)**
Zakat and income tax for the period	--	--	--	**(6,816,971)**	**(6,816,971)**
Balance as at 31 December 2016	500,000,000	7,160,730	(220,140)	50,590,473	557,531,063

The accompanying notes (1) through (27) form an integral part of these financial statements.

SAUDI FRANSI FOR FINANCE LEASING
(Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the period from 1 November 2015 to 31 December 2016
(Saudi Riyals)

	For the period from 1 November 2015 to 31 December 2016
Cash flows from operating activities	
Net income for the period	49,431,652
Adjustments to reconcile net income to net cash used in operating activities	
Depreciation	247,886
Amortization	573,635
Provision for impairment in finance lease	32,704,155
Employees' end of service benefits	333,967
	33,859,643
Changes in operating assets and liabilities	
Net investment in finance leases	(1,162,354,604)
Advances, prepayments and other receivables	(11,348,501)
Accounts payable	11,016,146
Related parties, net	12,195,014
Advance from customers	17,911,680
Unearned income from dealer	5,242,317
Accrued expenses and other liabilities	(1,573,842)
Zakat and Income tax paid during the period	(2,165,577)
End of service benefits paid	(36,072)
Net cash used in operating activities	(1,047,822,144)
Cash flows from investing activities	
Purchase of property and equipments	(211,512)
Net cash used in investing activities	(211,512)
Cash flows from financing activities	
Long term loans drawn	900,000,000
Repayment of long term loan	(227,500,000)
Issue of Share capital	400,000,000
Net cash from financing activities	1,072,500,000
Net increase in cash and cash equivalents	24,466,344
Cash and cash equivalents on transfer at 1 November 2015	2,060,772
Cash and cash equivalents at the end of the period	26,527,116

The accompanying notes (1) through (27) form an integral part of these financial statements.

(Saudi Riyals)

1. THE COMPANY AND NATURE OF OPERATIONS

Saudi Fransi for Finance Leasing (the "Company") is a Closed Joint Stock Company established under the regulations for companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010320273.

As per SAMA directive, the Company has obtained a license having no. 201511/ 38/أش) to practice finance activities. Further, pursuant to ministerial resolution in respect of the conversion of Limited Liability Company (LLC), the Company had changed its legal status from a LLC to a Closed Joint Stock Company (CJSC) as of 1 November 2015. All assets and liabilities of the LLC were transferred to CJSC at book value on 31 Oct 2015. On transfer, internally generate goodwill was not recognized by the Company. Following were book value of assets and liabilities:

	Book value of LLC	Value transferred to CJSC
	--------Amount in SAR----	
Assets	1,039,576,923	1,039,576,923
Liabilities	918,439,988	918,439,988

The Company's head office is located in Riyadh at the following address:

Saudi Fransi for Finance Leasing
Prince Abdulaziz Ibn Musaid Ibn Jalawi Road
P.O. Box 56006,
Riyadh 11554
Kingdom of Saudi Arabia

The objective of the Company is to provide lease financing for assets (Vehicles, Motorbike, Trucks, Heavy Machinery and Equipments) and involve in purchasing, registering and selling of these assets to retail and corporate customers.

2. BASIS OF PREPARATION

a) *Statement of compliance*

The 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.

For all periods up to and including the year ended 31 October 2015, the LLC prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia. Generally accepted accounting standards in Saudi Arabia comprise accounting standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (hereinafter referred to as "Local GAAP"). These financial statements for the year ended 31 December 2016 are the first set of financial statement of CJSC. Hence, no comparative have been included in these financial statements. These financial statements have been prepared in accordance with IFRS.

2. BASIS OF PREPARATION *(Continued)*

b) Basis of measurement

These financial statements have been prepared based on under the historical cost convention, except for Interest rate swaps, which are measured at fair value.

c) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Saudi Riyals which is the Company's functional and presentation currency. All financial information presented in Saudi Riyals has been rounded to the nearest Saudi riyal.

d) Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised 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.

The areas involving significant estimates or judgements are:

(a) determining the residual values and useful lives of property and equipment;
(b) allowance for potential lease and other loan losses;
(c) provisions;
(d) recognition of taxation and Zakat;
(e) accounting for termination benefits; and
(f) impairment.

e) New standards, amendments to standards and interpretations

Significant accounting policies used by the company in the preparation of these financial statements are explained as follows :

The adoption of new standards, amendments and revisions to existing standards, as mentioned below, which had no significant financial impact on the financial statements of the Company:

- Amendments to IAS 1 – "Presentation of Financial Statements", applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to;

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income ("OCI") and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

2. BASIS OF PREPARATION *(Continued)*

- Amendments to IAS 16 – "Property, Plant and Equipment" and IAS 38 – "Intangible Assets", applicable for the annual periods beginning on or after 1 January 2016, restricts the use of ratio of revenue generated to total revenue expected to be generated to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

- Amendments to IAS 16 – "Property, Plant and Equipment" and IAS 41 – "Agriculture", applicable for the annual periods beginning on or after 1 January 2016, change the scope of IAS 16 to include biological assets that meet the definition of bearer plants. Agricultural produce growing on bearer plants will remain within the scope of IAS 41. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 – "Accounting for Government Grants and Disclosure of Government Assistance", instead of IAS 41

Annual improvements to IFRS 2012-2014 cycle applicable for annual periods beginning on or after 1 January 2016. A summary of the amendments is as follows:

- IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations", amended to clarify that changing from one disposal method to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.

- IFRS 7 – "Financial Instruments: Disclosures" has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

- IAS 19 – "Employee Benefits" – amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used assessing the impact of IFRS 16 on the financial position and results of operations of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these financial statements are set out below:

a) *Cash and cash equivalents*

Cash and cash equivalents comprise of cash in hand and with bank.

b) *Net investment in finance leases*

Net Investment in Finance lease represents leasing contracts which is receivable from customers on account of finance leases. Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees at the end of the contract are classified as finance leases according to IFRS. Net investment in finance leases are recorded at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

All leased vehicles are under SFL name, and the contract signed with customer represents as Ijarah contract with irrevocable promises to transfer the ownership, where the legal title of the asset will be passed to the lessee once all Ijarah instalments are settled. Based on the criteria as laid out in IAS 17, these contracts meet the definition of finance lease, even though the legal ownership of these underlying properties is not transferred as of the date of statement of financial position.

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.

c) *Provision for impairment in finance lease*

The Company reviews its non-performing lease receivables on a monthly basis to assess whether specific provisions for impairment in finance lease should be recorded in the 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 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.

In addition to specific provisions against individually significant lease receivables, 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.

d) *Property & 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 assets.

Subsequent costs are included in the asset's carrying amount or recognised 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, plant and equipment is capitalised and the asset so replaced is retired from use. All other repairs and maintenance expenditure are charged to the statement of profit or loss during the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is charged to statement of income using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	10 years
Furniture and fixtures	10 years
Equipment	7 years
Computer Hardware	4 years
Motor Vehicles	4 years

e) Intangible assets

Intangible assets that are acquired by the Company have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment

Amortisation
Intangible assets are amortised on a straight -line basis in profit or loss over their estimated useful lives from the date that they are available for use.

The intangible assets comprise of computer software and their estimated useful life for the current is 3 years.

f) Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to Statement of Income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be resignated at the balance sheet date.

g) Zakat and income tax

Zakat and income tax are liabilities of the shareholders and are computed in accordance with Saudi Arabia Tax and Zakat regulations, Zakat and Tax are accrued and charged to statement of changes in shareholders' equity, being shareholders' liability.

h) Revenue recognition

The Company follows the effective yield method in accounting for the recognition of lease finance income. Under this method, the unearned lease income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased assets is deferred and taken to income over the term of the lease, so as to produce a systematic return on the net investment in lease.

The Company also charges a non-refundable front-end processing fee and which is recognized as income, net of processing related expenses incurred on the same lease transactions, when services are rendered.

Dealer discount is recognized in the statement of income over the lease term on straight line basis.

i) Long term loan

Long term loan include special commission bearing borrowing which is recognized initially at fair value. Subsequent to the initial recognition, special commission bearing borrowings are stated at amortized cost with any difference between cost (including transaction cost) and redemption value being recognized in the statement of income over the period of the borrowing on an effective special commission rate basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) *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 de-recognition 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 statement of profit or loss.

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 assets, 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 recognised 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 and available-for-sale financial investments.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 amortised 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.

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 recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

Fair value measurement
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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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 recognised on the settlement date, i.e. the date on which the asset is delivered to or by the Company.

k) Offsetting

Financial assets and liabilities are offset and are reported net in the balance sheet 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.

l) Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

m) Hedge Accounting

The company designates certain derivatives (i.e Interest rate swaps) as hedging instruments in qualifying hedging relationships to manage exposures to interest rate. In order to manage particular risk, the Company applies hedge accounting for transactions that meet specific criteria.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in the statement of changes in equity.

For the purpose of cash flow hedge which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability, or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Bank will assess the effectiveness of the hedging relationship. At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Prospective testing is performed mainly through matching the critical terms of both hedge item and instrument. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the income statement in 'Net trading income'.

Cash flow hedges

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity. Ineffective portion of gain or loss on the hedging instrument is recognized in the statement of income.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Company revokes the designation then hedge accounting is discontinued prospectively.

At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in equity is transferred to the Statement of Income for the period.

n) Proposed dividend and transfer between reserves--

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the 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 / transfers are made.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Impairment

Financial assets:

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired.

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 recognised in the statement of profit or loss. Impairment is determined as follows:

(i) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of profit or loss;

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

Non-Financial assets:

An assessment is made at each 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 asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating units (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 recognised 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 recognised. 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 recognised for the asset in prior years.

p) First-time adoption of IFRS

These financial statements, for the year ended 31 December 2016, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 October 2015, the Company prepared its financial statements in accordance with Local GAAP.

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2016.

There were no measurement differences between the SOCPA and IFRS for the opening balances of CJSC transferred from LLC as of 1st November 2015. Accordingly, profit and equity reconciliation as per IFRS 1 have not been separately included in this financial statements.

(Saudi Riyals)

4. CASH IN HAND AND AT BANK

	31 December 2016
Cash in hand	2,500
Cash at banks	26,524,616
	26,527,116

5. NET INVESTMENT IN FINANCE LEASES

		31 December 2016		
		Not later than one year	Later than one year and less than five years	Total
Lease contract receivables		740,897,922	2,119,302,953	2,860,200,875
Unearned lease income		(174,239,462)	(502,600,459)	(676,839,921)
		566,658,460	1,616,702,494	2,183,360,954
Provision for impairment in finance lease	5.1	(11,718,157)	(32,899,573)	(44,617,730)
Net investment in finance lease		554,940,303	1,583,802,921	2,138,743,224

These leased assets carrying a profit rate ranging from 0.01% to 7% and lease rental are determined on the basis of implicit rate of profit based on the cash flow of the lease. The Company holds the title of vehicles as a collateral against the finance leases.

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

	31 December 2016
Balance on Transfer from LLC	(11,913,575)
Provision for the period	(32,704,155)
	(44,617,730)

The provision for impairment in finance lease for the period includes SR 25.27 million evaluated on a collective impairment basis.

6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2016
Prepaid Insurance	29,873,922
Dealer Receivable	633,532
Prepaid Rent	167,425
Other advance, prepayments and receivables	397,603
	31,072,482

(Saudi Riyals)

7. INTANGIBLE ASSETS (Software)

	31 December 2016
Cost	4,253,381
Additions	--
Amortization	(3,882,811)
	370,570

8. DERIVATIVES ASSETS

Derivative financial instruments	**Notional amount** Total	**Within 3 months**	**3-12 months**	**1-5 years**
Held for cash flow hedging				
Commission rate swaps	1,220,000,000	77,500,000	232,500,000	910,000,000
	1,220,000,000	**77,500,000**	**232,500,000**	**910,000,000**

The Company entered into commission rate swaps with its parent, Banque Saudi Fransi (BSF). The net fair value of commission rate swaps is SAR negative 220,140 as at 31 December 2016. The net fair value of commission rate swaps is calculated using discounted cash flow model using a risk free discount rate adjusted for appropriate risk margin for counterparty risk including entity's own credit risk.

(Saudi Riyals)

9. PROPERTY AND EQUIPMENT

Movement in the property and equipment during the year is as follows:

	Lease hold improvements	Furniture and fixtures	Equipment	Motor Vehicles	Computer hardware	Total 2016
Cost:						
Balance at the beginning of the year	8,000	28,696	308,691	296,000	533,604	1,174,991
Additions	--	--	151,512	60,000	--	211,512
Disposals	--	--	--	--	--	--
Balance at the end of the year	8,000	28,696	460,203	356,000	533,604	1,386,503
Accumulated Depreciation:						
Balance at the beginning of the year	2,069	9,331	73,997	50,351	449,710	585,458
Charge for the year	937	3,356	67,012	99,145	77,436	247,886
Eliminated on disposals	--	--	--	--	--	--
Balance at the end of the year	3,006	12,687	141,009	149,496	527,146	833,344
Net book value at 31 December 2016	4,994	16,009	319,194	206,504	6,458	553,159

(Saudi Riyals)

10. ACCOUNTS PAYABLE

	31 December 2016
Dealers payable	14,298,107
Commission payable	3,444,696
Third party insurance collected	5,660,210
Government fee payable	932,921
Customer verification expense payable	1,069,322
Others	41,816
	25,447,072

11. ACCRUED EXPENSES

		31 December 2016
Liabilities taken over from Sofinco Saudi Fransi	*11.1*	2,841,769
Legal and professional charges		558,239
Payable to vendors		--
Payable to service providers		75,088
Salaries and employee related expenses		1,100,715
Others		409,882
		4,985,693

11.1. The details of liabilities taken over from Sofinco Saudi Fransi, a related party on account of portfolio transfer of finance lease contracts to the Company, are as follows:

	31 December 2016
Legal and professional charges	1,365,376
Salaries and employee related expenses	83,370
Advance from customer	523,320
Third party insurance	232,015
Insurance payable	--
Others	637,688
	2,841,769

(Saudi Riyals)

12. RELATED PARTY TRANSACTIONS

Related parties of the Company comprise of its shareholders and their affiliated companies. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken at mutually agreed terms, which are approved by the Company's board. Salary compensation of the CEO has not charged to statement of income as wholly compensated by Banque Saudi Fransi (BSF), a related party. Further, the Company office is located in the building owned by Banque Saudi Fransi, a related party, therefore, rent has not charged to statement of income. The details of the transactions are as below:

a) Transactions with related parties

Nature of transactions/balances	*Related parties*	**For the period from 1 November 2016 to 31 December 2016**
Lease rental received on behalf of a related party	Sofinco Saudi Fransi	1,943,100
Transfer of lease rentals to related party received on behalf of a related party	Banque Saudi Fransi	2,623,010
Expenses (IT maintenance)	Banque Saudi Fransi	175,000
Other income	Banque Saudi Fransi	630,000
Financial charges on long term loan	Banque Saudi Fransi	42,749,620
Bank Balances	Banque Saudi Fransi	26,524,618
Long term loan from BSF	Banque Saudi Fransi	1,550,000,000
Insurance of leased assets	Allianz Saudi Fransi	82,331,120
Charging of staff cost and general	Banque Saudi Fransi	3,088,181

The above transactions mainly resulted in following balance due to related parties at balance sheet date:

b) Due to related parties:

	31 December 2016
Banque Saudi Fransi	14,770,420
Allianz Saudi Fransi	5,823,271
	20,593,691

c) Due from a related party:

	31 December 2016
Sofinco Saudi Fransi	123,904
	123,904

(Saudi Riyals)

13. LONG TERM LOANS

The Company has a shariah compliant loan facility "Al Tawarroq" limit for SR 2,500 million from Banque Saudi Fransi ("the Bank"), a related party,

As at 31 December 2016, the Company has utilized SR 1,550 million from the above facility which are as follows:

	31 December 2016
Current portion	**310,000,000**
Non-current portion	1,240,000,000
	1,550,000,000

The long-term loans carry special commission rate equal to SIBOR plus bank margins or fixed rates payable on quarterly basis. The Directors on behalf of the Company have provided to the Bank promissory notes amounting to SAR 2,546,249,994/- as a collateral against this facility.

14. SHARE CAPITAL

The share capital of the Company is SR 500 million (2015: SR 100 million) divided into 50 million (2015: 10 million) shares of SR 10 (2015: SR 10) each and 100% owned by Banque Saudi Fransi.

15. STATUTORY RESERVE

In accordance with the Company's bye-laws, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 50% of the capital. This reserve is not available for dividend distribution.

(Saudi Riyals)

16. FEES INCOME, NET

	31 December 2016
Processing Fees	14,075,111
Insurance Income	103,687,727
Other Operating income	17,762,323
	135,525,161
Less:	
Commission	14,263,640
Registration fee	7,408,798
Verification expenses	983,187
Insurance expenses	70,757,404
	93,413,029
	42,112,132

17. OTHER GENERAL AND ADMINISTRATION EXPENSES

		31 December 2016
IT maintenance & network related expenses		574,738
Communication expenses		249,811
Bank charges		751,735
License, legal and professional charges		608,500
General insurance expense		179,939
Collection Expenses		788,082
Printing and stationery		283,226
Consultancy fees		58,333
Travelling expense		122,228
Repair and maintenance		218,464
Advertising and promotion expenses		237,158
Penalty	*17.1*	300,000
Other expenses		60,953
		4,433,167

17.1 The Company paid a penalty of SAR 300,000 to Saudi Arabian Monetary Authority (SAMA) on account of breach of conditions to obtain permanent license to operate in Kingdom of Saudi Arabia as the Company had obtained a temporary license to operate . As on 31 December 2016, this has been fully resolved and permanent license to operate has been obtained by the Company. There are no further outstanding requirement from SAMA on this matter.

(Saudi Riyals)

18. ZAKAT AND INCOME TAX

A) Zakat and income tax

The following are the significant components of the zakat base of the Company:

		31 December 2016
Net Income		49,431,652
Add: Amounts not deductible		
Depreciation disallowed		(43,580)
Current year provision for impairment in finance lease		32,704,155
Employee termination indemnity provision for the year		297,895
Provision for Performance Related Bonus		2,970,000
Entertainment & Gifts expenses		150,000
Penalty Expense to SAMA		300,000
	Subtotal	**36,378,470**
Adjusted Taxable Income		**85,810,122**
Add: opening balances of the following		
Capital		100,000,000
Employee Termination reserve at beginning of year		212,012
Due to related parties		6,709,166
Retained earnings lower of beginning of year or end balance		12,918,957
Statutory & Legal reserves at beginning of year		2,217,565
	Subtotal	**122,057,700**
Total Additions		**207,867,822**
Less: Amounts deductible		
Investments in finance lease		(2,138,743,224)
Net Book Value of fixed assets at end of year		(2,345,049)
		(2,141,088,273)
Zakat base		(1,933,220,452)
Total Zakat base (greater of Zakat Base or Adjusted Taxable Income)		85,810,122
Zakat base Saudi shareholding (68.89%)		59,114,593
Zakat charge for the year		1,477,865
Tax base non Saudi shareholding net off b/f losses (31.11%)		26,695,529
Tax charge for the year		5,339,106

B. Provision for Zakat and income tax

The movement in the provision for zakat and income tax for the year ended 31 December 2016 is as follows:

Zakat

		31 December 2016
Balance on transfer from LLC	*1*	419,527
Provided during the period		1,477,865
Paid during the period		(461,016)
Balance as at 31 December 2016		1,436,376

(Saudi Riyals)

18. ZAKAT AND INCOME TAX *(Continued)*

Income tax

		31 December 2016
Balance on transfer from LLC	*1*	1,747,878
Provided during the period		5,339,106
Paid during the period		(1,704,561)
Balance as at 31 December 2016		**5,382,423**

b) Status of Assessments

The Company has submitted its zakat and income tax returns for the years ended 31 December 2012 to 2015 to the Department of Zakat and Income Tax (DZIT), however, no assessment has been raised in respect for these years.

19. FINANCIAL INSTRUMENTS

a) Credit Risk

Credit risk is the risk that one party to a financial instrument may 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. Individual lease contract generally are for terms not exceeding two to five years.

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 obligation to be affected by similar changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of Company's performance to developments affecting a particular industry or geographical location.

Currently the company is entering lease finance with the individuals and corporates. The credit risk on gross amount due in relation to the investment in finance lease is mitigated by the retention of the title deed on leased assets.

The Company follows a credit classification mechanism as a tool to manage the quality of credit risk of the lease portfolio. The Company presently maintains six grades which differentiate between performing and non-performing portfolios and allocates provisions accordingly. The Company grades individual customer into performing and non-performing catergories, based both on subjective and time based criteria taking into consideration. Also, factors such as a customer's credit standing, financial strength and security and quality of management are considered. The Company monitors customers' grading on a regular basis.

Net investment in finance lease are receivable from retail customers & corporate customers. No credit rating is available for the net investment in finance lease.

The table below shows the gross maximum exposure to credit risk for the components of the balance sheets:

	For the period ended 31 December 2016 SR
Bank balances	**26,524,616**
Long term investments in finance lease	**1,583,802,921**
Current maturity of net investment in finance lease	**554,940,303**
Other receivables	**291,149**
Due from related parties	**123,904**
	2,165,682,893

(Saudi Riyals)

19. FINANCIAL INSTRUMENTS (Continued)

Gross investment in finance lease past due but not impaired

	For the period ended 31 December 2016 SR
Past due up to 30 days	**2,026,748,362**
Past due 31 – 60 days	**84,009,186**
Past due 61 – 90 days	31,325,775
	2,142,083,323

b) *Market Risk - Special Commission rate risk*

Special commission rate risk is the uncertainty of future earnings resulting from fluctuations in special commission rates. The risk arises when there is a mismatch in assets and liabilities, which are subject to special commission rate adjustment within a specified period. The most important source of such rate is the Company's borrowing and leasing activities, where fluctuations in special commission rates, is any, are reflected in the results of operation. Management monitors the change in the special commission rate and believes that the net special commission rate risk to the Company is not significant except for the loans from BSF, the sensitivity of which is disclosed below:-.

	Increase/ decrease in basis points	Sensitivity of finance charges	Sensitivity of equity		Total
			12 months or less	More than 12 Months	
Al Tawarroq Financing Facilities	+10	3,578,125	1,393,875	2,184,250	3,578,125
	-10	(3,578,125)	(1,393,875)	(2,184,250)	(3,578,125)

The fair value of long terms loans approximate the carrying value since these are floating rate instruments.

c) *Liquidity risk*

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

Management monitors the maturity profile of the Company's assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date to ensure that adequate liquidity is maintained. All liabilities other than end of service benefits are contractually payable on a current basis. The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligation. The contractual maturities of the liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective expected maturities.

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19. FINANCIAL INSTRUMENTS (Continued)

The maturity profile of the company's assets, liabilities, and shareholders' equity is as follows

	Within 3 months	3 to 12 months	1 to 5 years	No fixed maturity	Total
31 December 2016					
Assets					
Cash in hand and at banks	26,527,116	--	--	--	**26,527,116**
Net investment in finance leases	151,883,880	403,056,423	1,583,802,921	--	**2,138,743,224**
Unearned Lease Income*	47,483,160	126,756,302	502,600,460	--	**676,839,922**
Advances, prepayments and other receivables	1,322,464	29,873,922	--	--	**31,196,386**
Intangible assets	--	--	370,570	--	**370,570**
Property & equipment	--	--	553,159	--	**553,159**
	227,216,620	**559,686,647**	**2,087,327,109**	--	**2,874,230,377**
Liabilities and Shareholders' equity					
Accounts payable	14,298,106	11,148,966	--	--	**25,447,072**
Accrued expenses and other liabilities	4,874,774	2,841,769	--	--	**7,716,543**
Due to related parties	17,862,841	--	--	--	**17,862,841**
Advance from customers	26,041,774	--	--	--	**26,041,774**
Unearned income from dealer	--	5,242,316	--	--	**5,242,316**
Provision for Zakat & tax	6,818,799	--	--	--	**6,818,799**
Employees' end of service benefits	--	--	--	509,907	**509,907**
Derivative Liability	--	--	220,140	--	**220,140**
Long term loan	77,500,000	232,500,000	1,240,000,000		**1,550,000,000**
Financial Charges**	565,448	33,561,400	68,232,225		**102,359,073**
Shareholders' equity				557,531,063	**557,531,063**
	147,961,742	**285,294,451**	**1,308,452,365**	**558,040,970**	**2,299,749,528**
Maturity gap	**79,254,878**	**274,392,196**	**778,874,745**	**(558,040,970)**	
Cumulative maturity gap	**79,254,878**	**353,647,074**	**1,132,521,819**		

*This represent finance income on long term investment in finance lease from the date of statement of financial position to the contractual maturity of long term investment in finance lease

**This represent finance charge on Al Tawarroq financing facilities from the date of statement of financial position to the contractual maturity of Al Tawarroq financing facilities.

20. GEOGRAPHICAL CONCENTRATION

The Company operations are restricted to the Kingdom of Saudi Arabia only.

21. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in its function as chief decision maker in order to allocate resources to the segments and to assess its performance.

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

	Amount in SAR '000		
	Retail	**Corporate**	**Total**
31 December 2016	------- SAR '000 -------		
Total assets	**2,126,673**	**70,717**	**2,197,390**
Total liabilities	**1,637,647**	**1,024**	**1,638,671**
Total operating income	**144,965**	**9,073**	**154,038**
Total operating expenses	**103,337**	**1,270**	**104,606**
Net income for the period	**41,628**	**7,803**	**49,432**
Provision for impairment in finance lease	**42,704**	**1,914**	**44,618**

22. BASIC AND DILUTED EARNINGS PER SHARE

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

23. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- 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 (including lease receivables) and financial liabilities are measured at amortized cost except for derivative financial instruments which are measured at fair value. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values except for net investments in finance leases.

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23. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

The fair values of net investments in finance leases and derivative financial instruments as at 31 December 2016 are as follows:

Financial Statement Caption	Fair value hierarchy	Amount
		SAR
Derivative financial instruments	Level 2	**(220,140)**
Net investments in finance leases	Level 3	**2,032,288,310**

The fair value of net investment in finance lease is determined using discounted cash flow technique considering the market rates. The market rates are determined based on the risk profile of lease receivables and current interest rates. Fair value of long term loan are not significantly different from the carrying values included in the interim condensed financial statements since the current market commission rates for similar financial instruments are not significantly different from the contracted rates.

24. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

The Company has chosen not to early adopt the following new standards which have been issued but not yet effective for the Bank's accounting years beginning on or after 1 January 2017 and is currently assessing their impact.
Following is a brief on the new IFRS and amendments to IFRS, effective for annual periods beginning on or after January 01, 2017:

- IFRS 9 – "Financial instruments", applicable for the annual periods beginning on or after 1 January 2018, and will be applied retrospectively with some exemptions. The new standard presents revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment.
- IFRS 15 -- "Revenue from contracts with customers", applicable for the annual periods beginning on or after 1 January 2017. The new standard presents a five-step model to determine when to recognize revenue, and at what amount. The application of this standard will have a significant impact on how and when you recognize revenue, with new estimates and judgments, and the possibility of revenue recognition being accelerated or deferred.
- Amendments to IAS 7 – "Statement of Cash Flows", applicable for the annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IAS 12 – "Income Taxes", applicable for the annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Therefore, assuming that the tax base remains at the original cost of the debt instrument, there is a temporary difference.
- Amendments to IFRS 2 -- "Share-based Payment", applicable for the period beginning on or after 1 January 2018. The amendments cover classification and measurement of three accounting areas, first, measurement of cash-settled share-based payments, second, classification of share-based payments settled net of tax withholdings, and third, accounting for a modification of a share-based payment from cash-settled to equity-settled.
- IFRS 16 – "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which

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24. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE (Continued)

distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model.

- IFRS 9 Financial Instruments will be effective from 1 January 2018 and will replace IAS 39 by building models using internal and external experts. The Group will recognize loss allowances based on Expected Credit Loss (ECL) considering forward-looking information.

Setting framework with detailed policies and controls including roles and responsibilities will be implemented. The Company is in the process of evaluating how the new ECL model will impact its ongoing regulatory capital structure planning and further details will be provided once the assessment is complete.

25. RISK MANAGEMENT

Credit risk is the possibility of non-payment by counterparties and financial institutions through which the company transacts when provide lease financing for assets. The company is exposed to credit risk on its cash bank balance, net investment in finance leases however, these are maintained with reputed local banks in the Kingdom of Saudi Arabia. Further, the company may be exposed to credit risk due to recent directives on salary changes in government sector, the management is still assessing future impact of its portfolio.

26. COMMITMENTS

	31 December 2016
Finance lease contracts not yet executed	17,471,204

27. BOARD OF DIRECTOR' APPROVAL

These financial statements were approved by the Board of directors on 29 Jumada I 1438H corresponding to 26 February 2017.