TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS' OF TAAJEER FINANCE LEASE COMPANY

Opinion

We have audited the financial statements of Taajeer Finance Lease Company (a Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and summary of significant accounting policies and other explanatory notes from 1 to 23.

In our opinion, the accompanying 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 year then ended in accordance with International Financial Reporting Standards (IFRSs) as modified by Saudi Arabian Monetary Authority (SAMA) for accounting of zakat and income tax.

Basis for opinion

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

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

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

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

Management is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS' OF TAAJEER FINANCE LEASE COMPANY (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)
We also:

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

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

We also provide the management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements
Based on the information that has been made available to us while performing our audit procedures, nothing has come to our attention that causes us to believe that the Company is not in compliance with the requirements of provisions of Companies' Law and Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

16 Jumada II 1439H
4 March 2018

Jeddah
17/387/00

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ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Note	*2017* *SR*	*For the period from 24 May 2016 to 31 December 2016* *SR*
INCOME			
Interest income	4	**7,351,077**	-
Other operating income	5	**7,408,048**	-
TOTAL INCOME		**14,759,125**	
EXPENSES			
Direct cost		**(531,832)**	-
Selling and marketing expenses	6	**(10,828,220)**	-
General and administrative expenses	7	**(14,581,558)**	(2,933,489)
Impairment allowance against net investment in finance lease	11	**(3,048,549)**	-
TOTAL OPERATING EXPENSES		**(28,990,159)**	(2,933,489)
LOSS FROM OPERATIONS		**(14,231,034)**	(2,933,489)
Finance income	9	**1,051,112**	528,845
Gain from financial assets at fair value through profit or loss		**84,138**	-
Finance charges	8	-	(5,001,000)
NET LOSS FOR THE YEAR / PERIOD		**(13,095,784)**	(7,405,644)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR / PERIOD		**(13,095,784)**	(7,405,644)

The attached notes 1 to 23 form an integral part of these financial statements.

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	*31 December 2017 SR*	*31 December 2016 SR*
ASSETS			
Cash and cash equivalents	9	**7,509,461**	92,478,188
Prepayments and other receivables	10	**2,941,316**	1,683,477
Net investment in finance lease	11	**254,634,895**	-
Vehicles available for lease		**468,512**	-
Available-for-sale investment	12	**892,850**	-
Property and equipment	13	**779,133**	495,100
Intangibles	14	**4,291,800**	4,950,064
TOTAL ASSETS		**271,517,967**	99,606,829
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Accounts payable, accrued and other liabilities	15	**73,863,822**	431,934
Due to related parties	17	**117,699,892**	6,530,313
Employees' end of service benefits		**455,681**	50,226
TOTAL LIABILITIES		**192,019,395**	7,012,473
SHAREHOLDERS' EQUITY			
Share capital	16	**100,000,000**	100,000,000
Accumulated losses		**(20,501,428)**	(7,405,644)
TOTAL SHAREHOLDERS' EQUITY		**79,498,572**	92,594,356
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**271,517,967**	99,606,829

The attached notes 1 to 23 form an integral part of these financial statements.

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2017

	Share capital SR	*Accumulated losses SR*	*Total SR*
Share capital issued (note 16)	100,000,000	-	100,000,000
Total comprehensive loss for the period	-	(7,405,644)	(7,405,644)
Balance as at 3 December 2016	100,000,000	(7,405,644)	92,594,356
Total comprehensive loss for the year	-	(13,095,784)	(13,095,784)
Balance as at 3 December 2017	**100,000,000**	**(20,501,428)**	**79,498,572**

The attached notes 1 to 23 form an integral part of these financial statements.

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 SR	For the period from 24 May 2016 to 31 December 2016 SR
OPERATING ACTIVITIES			
Net loss for the year / period		**(13,095,784)**	(7,405,644)
Adjustments to reconcile loss for the year / period to net cash flows:			
Depreciation and amortization	7	**864,653**	136,553
Provision for employees' end of service benefits		**434,143**	50,226
Impairment allowance against net investment in finance lease	11	**3,048,549**	-
		(8,748,439)	(7,218,865)
Changes in operating assets and liabilities:			
Prepayments and other receivables		**(1,257,839)**	(1,683,477)
Net investment in finance lease		**(257,683,444)**	-
Vehicles available for lease		**(468,512)**	-
Accounts payable, accrued and other liabilities		**73,431,888**	431,934
Due to related parties		**111,169,579**	1,459,515
Cash used in operations		**(83,556,767)**	(7,010,893)
Employees' end of service benefits paid		**(28,688)**	-
Net cash used in operating activities		**(83,585,455)**	(7,010,893)
INVESTING ACTIVITIES			
Purchase of property and equipment	13	**(420,979)**	(510,919)
Purchase of intangibles	14	**(69,443)**	-
Available-for-sale investment	12	**(892,850)**	-
Net cash used in investing activities		**(1,383,272)**	(510,919)
FINANCING ACTIVITY			
Proceeds from issuance of share capital	16	-	100,000,000
NET DECREASE / INCREASE IN CASH AND CASH EQUIVALENTS		**(84,968,727)**	92,478,188
Cash and cash equivalents at the beginning of the year / period	9	**92,478,188**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR / PERIOD	9	**7,509,461**	92,478,188
NON-CASH TRANSACTIONS			
Allocation of cost incurred for purchase of software	17	-	5,070,797

The attached notes 1 to 23 form an integral part of these financial statements.

1 ORGANIZATION AND ACTIVITIES

Taajeer Finance Lease Company (the "Company") is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030289565, issued on 17 Sha'ban 1437H, (corresponding to 24 May 2016).

The Company's head office is in Jeddah. The principal activity of the Company is to engage in the following business activities in the Kingdom of Saudi Arabia;

a) Small and Medium Enterprises (SME) Financing
b) Finance lease

On 29 Safar 1438H (corresponding to 29 November 2016), the Company received a license from Saudi Arabian Monetary Authority (SAMA) to undertake both finance leasing and small and medium enterprises (SME) financing in the Kingdom of Saudi Arabia under license number 46/AU/201611.

The Company is a subsidiary of Al Ahdaf Al Mumaizah Company Limited (the "Parent Company"). The ultimate parent of the Company is Taajeer Group ("Ultimate Parent"). The Company, its parent and the ultimate parent of the Company are wholly owned by Saudi shareholders.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Basis of preparation

These financial statements are prepared under the historical cost convention using the accrual basis of accounting, except as indicated otherwise.

These financial statements have been presented in Saudi Riyal, which is the functional and presentation currency of the Company.

The first set of financial statements of the Company were prepared for the period from 26 May 2016, being the date of commercial registration, to 31 December 2016. Accordingly, the comparative information in the statements of comprehensive income, cash flows and changes in shareholders' equity and related notes are for the period from 26 May 2016 to 31 December 2016. Comparative information in the statement of financial position and related notes are given as at 31 December 2016.

As at 31 December 2017, the Company operates through 7 branches (31 December 2016: nil). The accompanying financial statements include the assets, liabilities and results of these branches.

2.2 Statement of compliance

These financial statements have been prepared:

i) In accordance with International Financial Reporting Standards (IFRSs) as modified by the Saudi Arabian Monetary Authority (SAMA) for accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax.

ii) In compliance with the requirement of the regulations for Companies in the Kingdom of Saudi Arabia and Company's By-laws.

The financial statements of the Company for the period from 24 May 2016 to 31 December 2016 were prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), the requirements of the regulations for Companies in the Kingdom of Saudi Arabia and Company's By-laws. This change in framework resulted in change in accounting policy for zakat as disclosed in note 3. However, the change in accounting policy had no effect on amounts for the prior period as management estimated nil zakat liability for that period.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.3 Significant accounting Judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that will affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future years.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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

Impairment of receivables under finance lease
An estimate of the collectible amount of receivables under finance lease is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, primarily, based on historical recovery rates or using peer benchmarks. As the Company has recently started its operations, in order to assess the collective impairment allowance, management has taken into account peer benchmarks as well as regulatory requirements.

Useful lives of property and equipment and intangibles
The management determines the estimated useful lives of its property and equipment and intangibles for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation / amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

2.4 New and amended accounting standards and interpretations

Standards issued up to the date of issue of the Company's financial statements are listed below. The Company has adopted all the standards and amendments applicable as of the reporting date. For standards and amendments which are issued and not yet effective, the Company intends to adopt these standards and amendments from the application date.

a) Amendments to existing standards
Amendments to IAS 7 Statement of Cash Flow, applicable for the annual periods beginning on or after 1 January 2017, require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

b) Standards issued but not yet effective

i) IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments" which reflects all phases of the financial instruments project and replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.4 New and amended accounting standards and interpretations (continued)

b) *Standards issued but not yet effective (continued)*

i) IFRS 9 Financial Instruments (continued)

Classification and measurement
The classification and measurement of financial assets (except equity instruments and derivatives) will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL'). For equity instruments that are not held for trading, the entity may irrevocably elect to designate them as FVOCI, with no subsequent reclassification of gains or losses to the income statement. This election is made on an investment-by-investment basis.

The Company's financial assets comprises of cash and bank balances, net investment in finance lease, available-for-sale investment, due from related parties, employees' receivables and other receivables. The majority of financial assets that are classified as loans and receivables and are measured at amortised cost under IAS 39 are expected to be measured at amortised cost under IFRS 9 as well. However, certain financial assets that are currently classified as available for sale (AFS) will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and a result the gains and losses on disposal and impairment loss, if any, will be charged directly to retained earnings.

The Company's financial liabilities primarily consist of due to related parties, accounts payable and other liabilities. Under IFRS 9, the accounting for financial liabilities will largely remain similar to IAS 39.

Impairment
The Company will recognise impairment allowances based on a forward looking Expected Credit Loss (ECL) approach on financial assets that are not measured at FVTPL. These include net investment in finance lease, due from related parties, employees' receivables and other receivables which are measured at amortised cost. The key inputs into the measurement of ECL are the term structure of the following variables:

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

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

- Stage 1: Performing assets: Financial asset(s) that have not significantly deteriorated in credit quality since origination. The impairment allowance will be recorded based on 12 months ECL.

- Stage 2: Underperforming assets: Financial asset(s) that have significantly deteriorated in credit quality since origination. This credit quality assessment is made by comparing the remaining lifetime PD as at reporting date with the remaining lifetime PD point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations). The impairment allowance will be recorded based on lifetime ECL.

- Stage 3: Impaired assets: For Financial asset(s) that are impaired, the Company will recognise the impairment allowance based on lifetime ECL.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.4 New and amended accounting standards and interpretations (continued)

b) ***Standards issued but not yet effective (continued)***

i) IFRS 9 Financial Instruments (continued)

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

The forward-looking information will include the elements such as macroeconomic factors (e.g., inflation rates, oil prices and manufacturing purchasing managers' index) and economic forecasts obtained through external sources.

To evaluate a range of possible outcomes, the Company intends to formulate various scenarios. For each scenario, the Company will derive an ECL and apply a probability weighted approach to determine the impairment allowance in accordance with the accounting standards requirements.

Overall expected impact
According to transitional provisions for initial application of IFRS 9, the Company is allowed to recognise any difference between previous carrying amount under IAS 39 and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in opening shareholders' equity.

The Company is in the process of evaluating how the new impairment requirement model will impact its total shareholders' equity as at the transitions date.

Classification
Based on management's assessment of business models and nature of financial instruments carried at the reporting date, it expects that the majority of financial assets that are classified as loans and receivables measured at amortised cost under IAS 39 are expected to be measured at amortised cost under IFRS 9 as well. Simultaneously, investments which were measured at their values continue to be measured on their fair values.

Disclosure
The new standard also introduces extended disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 issued in May 2014, and amended in April 2016, provides a framework that replaces the existing revenue recognition model under IAS 18. Entities applying IFRS 15 would need to apply a five-step model to determine when to recognize revenue and at what amount. The model specifies that revenue should be recognized when an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is in the process of evaluating how the new revenue recognition model will impact its revenue generating arrangements.

iii) IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.4 New and amended accounting standards and interpretations (continued)

b) ***Standards issued but not yet effective (continued)***

iii) IFRS 16 Leases

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Company is carrying impact assessment and will make more detailed assessments of the effect in the future to determine the impact.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted for the preparation of these financial statements are as follows:

Revenue
Gross investment in finance lease represents the gross lease payments receivable by the Company, and the net investment represents the present value of these lease payments discounted at interest rate implicit in the lease. The difference between the gross investment and the net investment is recognised as unearned finance income. Finance lease income is recognised over the period of the lease on a systematic basis, which results in a constant periodic rate of return on the net investment outstanding.

As part of the periodic installments due from customers, the Company charges customers for insurance cover on the vehicles under lease contracts. Insurance charges represent cost of insurance (premium). Consequently, premiums are paid to the Insurers for the insurance cover for the vehicles under lease.

Other operating income
Other operating income comprises lease initiation, customer credit assessment, vehicle registration and other fee income. It is recognised immediately upon execution of the agreements with the customers.

Expenses
Selling and marketing expenses principally comprise of costs incurred in the marketing of the Company's products / services. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of the operating activities of the Company. Allocations between general and administrative expenses and direct costs, when required, are made on a consistent basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, cash in bank and short-term deposits with original maturity of three months or less.

Leases
Finance leases are those where the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. As lessee, the Company classifies its leases as operating leases and the rentals payments are charged to the statement of comprehensive income on a straight line basis.

Vehicles available for lease
Vehicles available for lease represents vehicles repossessed on termination of lease contracts and are stated at the net realizable value. Net realizable value represents the estimated selling price of the vehicles less the costs necessary to make the sale. Any impairment loss arising as a result of carrying these assets at their net realizable values is recognised in the statement of comprehensive income.

Property and equipment
Depreciable property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated rates of depreciation of the principal classes of assets are as follows:

Leasehold improvements	25%
Furniture and fixtures	10%
Office equipment	14.3%
Computer equipment	33.33%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

Intangibles
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amounts 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 Company and the cost of the item can be measured reliably.

Intangible asset is being amortized over a useful life using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
The Company assesses at each reporting date 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 unit's (CGU) fair value less costs 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 groups of assets. Where 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of comprehensive income if those expense categories are consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's 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. Such reversal is recognised in the statement of comprehensive income.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employees' terminal benefits
These represent end-of-service benefits under defined unfunded benefit plans. End-of-service benefits, as required by Saudi Arabia Labor Law, are required to be provided based on the employees' length of service.

The Company's net obligations in respect of defined unfunded benefit plans ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs.

The discount rate used is the market yield on high quality bonds at the reporting date that has maturity dates approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation, with actuarial valuations to be carried out every third year and updated for the following two years for material changes, if any. The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognised. Currently there are no past service costs. The full amount of actuarial gains and losses are recognized in statement of changes in shareholders' equity in the year in which they arise.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat

Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia and on accruals basis. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

As set out in note 2.2, the Company has amended its accounting policy relating to zakat and have started to charge zakat for the year directly to statement of changes in shareholder's equity with a corresponding liability recognized in the statement of financial position. Previously, the Company's policy was to charge the zakat for the period to the statement of comprehensive income with a corresponding liability recognized in the statement of financial position.

Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

The Company determines the classification of its financial assets at 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, directly attributable transaction costs, if any.

Subsequent measurement

For purposes of subsequent measurement financial assets are mainly classified as loans and receivables and available-for-sale financial assets.

a) 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 are carried at amortised cost using the effective interest rate (EIR) method, less any amounts written off and allowance for doubtful debts. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading as they are principally acquired for the purpose of selling or repurchase in the near term. These investments are subsequently measured at their fair values.

c) Available-for-sale financial assets

Available-for-sale financial assets comprises investment in equity instruments that are not held for trading. Financial assets categorized as available-for-sale are subsequently measure at their fair values with the gain or loss recognized in other comprehensive income, except for impairment loss, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognized in the statement of comprehensive income. On derecognition, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity into statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

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

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

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

Impairment of financial assets carried at amortised cost
The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The estimated future cash flows are discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of comprehensive income. Assets together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of comprehensive income.

Impairment of available for sale financial assets

The Company assesses at each reporting date whether there is objective evidence that an available for sale investment or a group of investments is impaired.

In the case of equity investments, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in other comprehensive income.

ii) Financial liabilities

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities include accounts payable, due to related parties and other liabilities.

Initial recognition and measurement
The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value plus, directly attributable transaction costs (where applicable) and thereafter stated at their amortized cost.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Subsequent measurement
After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liability
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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 is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4 INTEREST INCOME

It represents income earned on investment in finance lease at the interest rate implicit in the lease determined at the inception of the contract.

5 OTHER OPERATING INCOME

	2017 *SR*	*For the period from 24 May 2016 to 31 December 2016* *SR*
Rebate on purchase of vehicles	**3,598,554**	-
Plate fee, net	**1,834,046**	-
Contract fee	**1,353,798**	-
Insurance revenue, net	**621,650**	-
	7,408,048	-

6 SELLING AND MARKETING EXPENSES

	2017 *SR*	*For the period from 24 May 2016 to 31 December 2016* *SR*
Salaries and related cost	**5,680,608**	-
Salesmen's commission	**3,671,002**	-
Rent	**1,106,881**	-
Others	**369,729**	-
	10,828,220	-

7 GENERAL AND ADMINISTRATIVE EXPENSES

	2017 *SR*	*For the period from 24 May 2016 to 31 December 2016* *SR*
Salaries and related cost	**10,167,274**	2,071,854
Communication	**1,269,079**	11,487
Depreciation and amortisation (note 13 and 14)	**864,653**	136,553
Professional charges	**481,501**	321,000
Entertainment	**467,064**	32,332
Rent	**380,501**	129,750
Others	**951,486**	230,513
	14,581,558	2,933,489

8 FINANCE CHARGES

It represents commission paid to bank in respect of letter of guarantee issued during prior period, in favor of Saudi Arabian Monetary Authority (SAMA) for obtaining license of financing activities in the Kingdom of Saudi Arabia.

9 CASH AND CASH EQUIVALENTS

	31 December 2017 ***SR***	*31 December 2016* *SR*
Cash and bank balances	**7,509,461**	42,272,632
Short term deposits (note below)	**-**	50,205,556
	7,509,461	92,478,188

It represented unsecured short term deposits with a yield of 4% and an original maturity of 3 months from the date of placement. The deposits were matured and encashed during the year ended 31 December 2017. The Company earned SR 1,051,112 (2016: SR 528,845) on these deposits during 2017 (note 17).

10 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2017 SR	*31 December 2016 SR*
Prepaid expenses	**1,781,517**	1,268,352
Advances to a suppliers	**1,124,429**	371,500
Others	**35,370**	43,625
	2,941,316	1,683,477

11 NET INVESTMENT IN FINANCE LEASE

	31 December 2017 SR	*31 December 2016 SR*
Gross investment in finance lease	**397,699,902**	-
Less: unearned finance income	**(140,016,458)**	-
	257,683,444	-
Less: allowance for doubtful debts	**(3,048,549)**	-
Net investment in finance lease	**254,634,895**	-

	Years	***Gross investment SR***	***Unearned finance income SR***	***Allowance for doubtful debts SR***	***Net investment SR***
Current portion	2018	84,271,564	(38,815,616)	(3,048,549)	**42,407,399**
Non-current portion	2019	77,814,596	(34,174,368)	-	**43,640,228**
	2020	72,213,620	(29,150,507)	-	**43,063,113**
	2021	66,622,134	(23,917,315)	-	**42,704,819**
	2022	96,777,988	(13,958,652)	-	**82,819,336**
Non-current portion		313,428,338	(101,200,842)	-	**212,227,496**
Total		**397,699,902**	**(140,016,458)**	**(3,048,549)**	**254,634,895**

11 NET INVESTMENT IN FINANCE LEASE (continued)

The ageing of gross finance lease receivables, which are past due and considered impaired by the management, is as follows:

	31 December 2017 SR	*31 December 2016 SR*
1 – 3 months	**1,765,402**	-
4 – 6 months	**689,135**	-
7 – 12 months	**171,630**	-
	2,626,167	-

The aging of not yet due balances pertaining to customers with overdue instalments is as follows:

	31 December 2017 SR	*31 December 2016 SR*
1 – 3 months	**3,942,061**	-
4 – 6 months	**3,956,000**	-
7 – 12 months	**7,873,614**	-
Over 12 months	**64,395,370**	
	80,167,045	-

The principal portion of above not yet due balances at 31 December 2017 amounts to SR 51,109,403.

The Company finances the sale of vehicles to its customers through finance leases and instalment sales. Under finance lease, the legal ownership of the vehicle is retained by the Company while under instalment sales legal ownership is transferred to the customer. Finance leases represent 97% of the total gross investments.

12 AVAILABLE-FOR-SALE INVESTMENT

It represents the capital contribution in the contacts registration company established under article 12 of the implementation regulations of the finance companies control law. It requires all finance companies operating in the Kingdom of Saudi Arabia to establish a joint stock company, after the approval of SAMA, for the purpose of establishing a database of finance lease contracts and enabling secure access to the data in the contracts register. The Company can only sell this investment with prior approval of SAMA.

The Company subscribed 2.38% of paid up capital amounting to SR 892,850 on 14 December 2017 (corresponding to 26 Rabi I 1439H). As the investee company has not yet started its commercial operations, management believe that the carrying amount approximate the fair value.

In accordance with the fair valuation hierarchy, the available-for-sale investment is considered as level 3.

13 PROPERTY AND EQUIPMENT

	Leasehold improvements (note below) *SR*	*Furniture fixtures* *SR*	*Computer equipment* *SR*	*Office equipment* *SR*	***Total 31 December 2017*** ***SR***	*Total 31 December 2016* *SR*
Cost:						
At the beginning of the year / period	134,700	256,959	119,260	-	**510,919**	-
Additions	74,357	120,422	120,220	105,980	**420,979**	510,919
At the end of the year / period	209,057	377,381	239,480	105,980	**931,898**	510,919
Depreciation :						
At the beginning of the year / period	5,612	4,201	6,006	-	**15,819**	-
Charge for the year / period	43,407	32,418	56,193	4,928	**136,946**	15,819
At the end of the year / period	49,019	36,619	62,199	4,928	**152,765**	15,819
Net book amounts:						
At 31 December 2017	**160,038**	**340,762**	**177,281**	**101,052**	**779,133**	
At 31 December 2016	129,088	252,758	113,254	-		495,100

Leasehold improvements are depreciated over a period of their useful lives as management believe that the lease term will be extended for further periods.

14 INTANGIBLES

	31 December 2017 SR	31 December 2016 SR
Cost:		
At the beginning of the year / period	**5,070,797**	-
Additions	**69,443**	5,070,797
At the end of the year / period	**5,140,240**	5,070,797
Amortisation:		
At the beginning of the year / period	**120,733**	-
Charge for the year / period	**727,707**	120,733
At the end of the year / period	**848,440**	120,733
Net book value	**4,291,800**	4,950,064

Intangible represents cost incurred for purchase and installation of a computer software and is amortized over its useful life of 7 years at straight line method.

15 ACCOUNTS PAYABLE, ACCRUED AND OTHER LIABILITIES

	31 December 2017 SR	31 December 2016 SR
Accounts payable	**67,757,877**	-
Accrued liabilities	**4,344,128**	326,780
Advance from customers	**1,761,817**	105,154
	73,863,822	431,934

16 SHARE CAPITAL

The share capital of the Company is divided into 10,000,000 shares of SR 10 each. As at 31 December, the share capital is owned as follows:

	No. of shares of SR 10 Each	31 December 2017 SR	31 December 2016 SR
Taajeer Global Company Limited	100,000	**1,000,000**	1,000,000
Taajeer Gulf Company Limited	100,000	**1,000,000**	1,000,000
Taajeer International Company Limited	100,000	**1,000,000**	1,000,000
Taajeer National Company for Auto Maintenance and Integrated Service Limited	100,000	**1,000,000**	1,000,000
Al Ahdaf Al Mumaizah Company Limited	9,600,000	**96,000,000**	96,000,000
	10,000,000	**100,000,000**	100,000,000

16 SHARE CAPITAL (continued)

In accordance with the Article 70 of the Implementing Regulations of the Finance Companies Control Law, management through a letter dated 20 July 2017 informed SAMA that its accumulated losses have exceeded 15 percent of the paid up capital.

17 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

i) Following are the details of related party transactions entered during the year / period:

Related Party	**Nature of transaction**	***2017*** ***SR***	*For the period from 24 May 2016 to 31 December 2016* *SR*
Ultimate Parent	Payments for purchase of the vehicles on behalf of the Company	**118,420,278**	-
	Collection from the Company's customers	**14,108,798**	-
	Reimbursement of commission paid on bank guarantee	-	5,001,000
	Allocation of cost incurred for purchase of software	-	5,070,797
	IT expense allocated	**862,677**	-
Others	Short term deposits (note 9)	**140,000,000**	-
	Finance income on short term deposits (note 9)	**1,051,112**	-
	Purchase of vehicles	**52,280,292**	-
	Vehicle insurance services	**3,743,372**	-
	Investment in a mutual fund	**25,000,000**	-
	Fair value gain on redemption of investment in a mutual fund	**84,138**	-
	Vehicle maintenance	**151,173**	-
Shareholders	Proceeds from issue of share capital		100,000,000

ii) Due to related parties comprise the following:

	31 December 2017 ***SR***	*31 December 2016* *SR*
Taajeer Group	**80,153,577**	6,530,313
Taajeer International Company Limited	**36,754,248**	-
Salama Cooperative Insurance Company	**640,895**	-
Taajeer National Company for Maintenance and Integrated Services Limited	**151,172**	-
	117,699,892	6,530,313

17 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

iii) The total amount of compensation paid to key management personnel during the year / period is as follows:

	2017 *SR*	*For the period from 24 May 2016 to 31 December 2016* *SR*
Key management remuneration	**3,061,650**	994,307
Short term employee benefits	**649,800**	-
Employees' terminal benefits	**165,118**	32,978
	3,876,568	1,027,285

The Company's Board of Directors includes the Board and other Board related committees (Credit and Risk Committee, Executive Committee, Remuneration Committee and Audit Committee).

18 ZAKAT

The Company is subject to the Regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia. As the Company incurred losses during the year ended 31 December 2017 and for the period from 24 May 2016 to 31 December 2016, and has a negative zakat base, no zakat was due as at 31 December 2017 and 31 December 2016. Accordingly, no provision has been made for zakat in these financial statements

Status of assessments
The Company has submitted zakat declaration for the period from 24 May 2016 to 31 December 2016 to GAZT, which is under review.

19 OPERATING LEASE ARRANGEMENTS

Operating lease payments represent rentals payable by the Company for certain office properties. Leases are negotiated for an average renewable term of 1 year and rentals are fixed for the same year. Future minimum rentals payable under non-cancellable operating leases as at 31 December 2017 amount to SR 555,416 (31 December 2016: SR 444,314).

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to interest rate risk, currency risk, liquidity risk and credit risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. As of the statement of financial position date, the Company does not have floating interest instruments. Accordingly, the Company is not significantly exposed to interest rate risk.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a) Market risk (continued)

Interest rate sensitivity of assets, liabilities and off statement of financial position items
The Company manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarizes the Company's exposure to interest rate risks. Included are the Company's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

	Interest bearing			
31 December 2017	*Within 1 year SR*	*1 to 5 years SR*	*Non-interest bearing SR*	*Total SR*
Assets				
Cash and cash equivalents	-	-	7,509,461	**7,509,461**
Prepayments and other receivables	-	-	2,941,316	**2,941,316**
Net investment in finance lease	42,407,399	212,227,496	-	**254,634,895**
Vehicles available for lease	-	-	468,512	**468,512**
Available-for-sale investment	-	-	892,850	**892,850**
Property and equipment	-	-	779,133	**779,133**
Intangibles	-	-	4,291,800	**4,291,800**
Total assets	**42,407,399**	**212,227,496**	**16,883,072**	**271,517,967**
Liabilities				
Accounts payable, accrued and other liabilities	-	-	73,863,822	**73,863,822**
Due to related parties	-	-	117,699,892	**117,699,892**
Employees' end of service benefits	-	-	455,681	**455,681**
Total liabilities	-	-	**192,019,395**	**192,019,395**
Gap	**42,407,399**	**212,227,496**	**(175,136,323)**	**79,498,572**

As at 31 December 2016, except for short term deposits of SR 50,205,556, all of the assets and liabilities were non-interest bearing.

Currency risk
Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies, in case the Company does not hedge its currency exposure by means of hedging instruments. All of the purchases and sales of the Company are made in Saudi Riyals. As the Company did not undertake significant transactions in currencies other than Saudi Riyal, during the year, the Company was not exposed to any significant currency risk.

Other price risk
The Company is not exposed to other price risk such as equity and commodity risk as the Company is neither involved in investment in trading securities nor the commodities.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements to meet its financial liabilities. This risk is managed through availability of extended credit period from related parties on purchase of vehicles. The average credit period on purchases of vehicles from third parties ranges from 1 to 3 months. No interest is charged on the accounts payable and balance due to related parties. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Significant portion the Company's liabilities are amounts due to related parities and expected to be settled within 12 months from reporting date. However, if required, these amounts could be deferred and additional resources could be obtained from the Ultimate Parent Company to support operations of the Company. For liabilities other than due to related parties, management believe that adequate resources will be available to pay off as they fall due.

The Company's financial liabilities primarily consist of accounts payable due to related parties and accrued and other liabilities. A significant portion of these financial liabilities is expected to be settled within 12 months from reporting date. The Company expects to have adequate liquid funds to pay off the liabilities as they fall due.

i) Analysis of financial liabilities by remaining contractual maturities

As at the statement of financial position date, all of the financial liabilities of the Company are having maturity dates of one year except for employees' end of service benefits which have no fixed maturity.

ii) Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities, analysed according to when they are expected to be recovered or settled.

	Fixed maturity			
31 December 2017	*Within 1 year SR*	*1 to 5 years SR*	*No fixed maturity SR*	*Total*
Assets				
Cash and cash equivalents	-	-	7,509,461	**7,509,461**
Prepayments and other receivables	2,531,853	409,463	-	**2,941,316**
Net investment in finance lease	42,407,399	212,227,496	-	**254,634,895**
Vehicles available for lease	468,512	-	-	**468,512**
Available-for-sale investment	-	-	892,850	**892,850**
Property and equipment	-	-	779,133	**779,133**
Intangibles	-	-	4,291,800	**4,291,800**
Total assets	**45,407,764**	**212,636,959**	**13,473,244**	**271,517,967**
Liabilities				
Accounts payable, accrued and other liabilities	73,863,822	-	-	**73,863,822**
Due to related parties	117,078,135	-	621,757	**117,699,892**
Employees' end of service benefits	-	-	455,681	**455,681**
Total liabilities	**191,941,957**	-	**1,077,438**	**192,019,395**

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Liquidity risk (continued)

ii) Maturity analysis of assets and liabilities (continued)

	Fixed maturity			
31 December 206	*Within 1 year SR*	*1 to 5 years SR*	*No fixed maturity SR*	*Total*
Assets				
Cash and cash equivalents	50,205,556	-	42,272,632	92,478,188
Prepayments and other receivables	1,060,692	622,785	-	1,683,477
Property and equipment	-	-	495,100	495,100
Intangibles	-	-	4,950,064	4,950,064
Total assets	51,266,248	622,785	47,717,796	99,606,829
Liabilities				
Accounts payable, accrued and other liabilities	321,585	-	110,349	431,934
Due to related parties	6,530,313	-	-	6,530,313
Employees' end of service benefits	-	-	50,226	50,226
Total liabilities	6,851,898	-	160,575	7,012,473

Credit risk and concentration of credit risk

Credit risk arises from the possibility of asset impairment occurring because counter parties cannot meet their obligations in transactions involving financial instruments. The Company is exposed to credit risk on cash and bank balances, net investment in finance lease and other receivables. The Company has established procedures to manage credit exposure including credit approvals, credit limits, collateral and guarantee requirements. These procedures are based on the Company's internal guidelines.

Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of customers.

The Company manages concentration of credit risk exposure through diversification of activities. However, the Company mitigates its credit risk through evaluation of credit worthiness and by obtaining promissory notes. The title of the vehicles sold under finance lease agreements is held in the name of the Company as collateral to be repossessed, in case of default by the customer.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Capital Management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies or processes for managing capital during the year ended 31 December 2017.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Management (continued)

The Company monitors capital on the basis of the regulatory requirements of Regulations for Companies and SAMA minimum capital requirements for financing companies.

	31 December 2017 SR	*31 December 2016 SR*
Capital adequacy ratio (Net investment in finance lease divided by shareholders' equity)	**3.21 times**	-

In accordance with the Article 54 (2) of the Implementing Regulations of the Finance Companies Control Law, SAMA through a letter dated 17 January 2018 raised the maximum limit of the aggregate amount of financing allowed to 3.5 times of the shareholders' equity of the Company.

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, net investment in finance lease, available-for-sale investments and other receivables. Its financial liabilities consist of due to related parties, accounts payable and other liabilities.

The fair values of the financial instruments are not materially different from their carrying amounts.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

22 SUBSEQUENT EVENTS

Subsequent to the year end, the Board of Directors of the Company approved increase in capital by SR 100,000,000. The Company is in process to complete the legal formalities in this regard.

23 BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on 20 February 2018 (corresponding to 4 Jumada II 1439H).