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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND REVIEW REPORT

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2018

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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period ended 31 March 2018

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REVIEW REPORT

To the shareholders
Taajeer Finance Lease Company
(a Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Taajeer Finance Lease Company (a Saudi Closed Joint Stock Company) ("the Company") as at 31 March 2018 and the related interim condensed statement of comprehensive income, changes in shareholders' equity and cash flows for the three month period then ended and a summary of significant account policies which form an integral part of these interim condensed financial statements. The Company's management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as modified by Saudi Arabian Monetary Authority (SAMA) for accounting of zakat and income tax. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs) as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for accounting of zakat and income tax.

Other regulatory matter

As disclosed in note 14 of the accompanying interim condensed financial statements, the aggregate amount of financing by the Company as of 31 March 2018 was above the maximum threshold stipulated in the Implementing Regulations of the Finance Companies Control Law.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

26 April 2018
10 Sha'ban 1439H
Jeddah
18/440/00

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS
PROFESSIONAL LICENCE No. 45

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three month period ended 31 March 2018

	Note	***For the three month period ended 31 March 2018 SR Unaudited***	*For the three month period ended 31 March 2017 SR Unaudited*
Revenue	3	**6,327,481**	101,506
Direct cost	4	**(1,264,527)**	(55,416)
GROSS PROFIT		**5,062,954**	46,090
Other operating income	5	**3,179,540**	482,284
TOTAL INCOME		**8,242,494**	528,374
EXPENSES			
Selling and distribution expenses		**(2,643,684)**	(2,068,130)
General and administrative expenses		**(4,009,205)**	(2,801,752)
Impairment allowance against investment in finance lease	7	**(3,252,165)**	(323,076)
TOTAL OPERATING EXPENSES		**(9,905,054)**	(5,192,958)
LOSS FROM OPERATIONS		**(1,662,560)**	(4,664,584)
Finance income		**-**	466,666
Fair value gain from financial assets at fair value through profit or loss		**-**	29,433
TOTAL LOSS FOR THE PERIOD		**(1,662,560)**	(4,168,485)
Other comprehensive income / (loss) for the period		**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(1,662,560)**	(4,168,485)

The attached notes 1 to 18 form an integral part of these unaudited interim condensed financial statements.

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 31 March 2018

	Note	***31 March 2018 SR Unaudited***	*31 December 2017 SR Audited*
ASSETS			
Cash and bank balances	6	**33,345,979**	7,509,461
Prepayments and other receivables		**3,092,117**	2,941,316
Net investment in finance lease	7	**319,629,949**	252,873,078
Vehicles available for lease		**367,222**	468,512
Investment classified as fair value through other comprehensive income		**892,850**	892,850
Property and equipment		**1,079,608**	779,133
Intangibles		**5,262,016**	4,291,800
TOTAL ASSETS		**363,669,741**	269,756,150
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Accounts payable, accrued and other liabilities	8	**66,388,584**	72,102,005
Due to related parties	9	**129,050,622**	117,699,892
Long term loans	10	**93,213,172**	-
Employees' terminal benefits		**575,697**	455,681
TOTAL LIABILITIES		**289,228,075**	190,257,578
SHAREHOLDERS' EQUITY			
Share capital	11	**100,000,000**	100,000,000
Accumulated losses		**(25,558,334)**	(20,501,428)
TOTAL SHAREHOLDERS' EQUITY		**74,441,666**	79,498,572
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**363,669,741**	269,756,150

The attached notes 1 to 18 form an integral part of these unaudited interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
For the three month period ended 31 March 2018

	Share capital SR	*Accumulated losses SR*	*Total SR*
Balance as at 31 December 2017 (Audited)	100,000,000	(20,501,428)	79,498,572
Impact of initial application of IFRS 9 (note 2.4)	-	(3,394,346)	(3,394,346)
Restated balance as at 1 January 2018 under IFRS 9	100,000,000	(23,895,774)	76,104,226
Total comprehensive loss for the period	-	(1,662,560)	(1,662,560)
Balance as at 31 March 2018 (Unaudited)	**100,000,000**	**(25,558,334)**	**74,441,666**
Balance as at 31 December 2016 (Audited)	100,000,000	(7,405,644)	92,594,356
Total comprehensive loss for the period	-	(4,168,485)	(4,168,485)
Zakat charge for the period	-	(165,000)	(165,000)
Balance as at 31 March 2017 (Unaudited)	**100,000,000**	**(11,739,129)**	**88,260,871**

The attached notes 1 to 18 form an integral part of these unaudited interim condensed financial statements.

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three month period ended 31 March 2018

	Note	***For the three month period ended 31 March 2018 SR Unaudited***	*For the three month period ended 31 March 2017 SR Unaudited*
OPERATING ACTIVITIES			
Net loss for the period		**(1,662,560)**	(4,168,485)
Adjustments to reconcile loss for the period to net cash flows:			
Impairment allowance against investment in finance lease	7	**3,252,165**	323,076
Finance cost accrued		**1,141,622**	-
Depreciation and amortization		**230,804**	209,097
Provision for employees' end of service benefits		**129,804**	121,398
Unrealised fair value gain on financial assets at fair value through profit or loss		-	(29,433)
		3,091,835	(3,544,347)
Changes in operating assets and liabilities:			
Prepayments and other receivables		**(150,801)**	(994,185)
Investment in finance lease		**(73,403,382)**	(30,087,308)
Long term loans, net		**93,213,172**	-
Vehicles available for lease		**101,290**	-
Accounts payable, accrued and other liabilities		**(5,949,907)**	23,508,940
Due to related parties		**11,350,730**	(30,668)
Cash from / (used in) operations		**28,252,937**	(11,147,568)
Financial cost paid		**(905,136)**	-
Employees' end of service benefits paid		**(9,788)**	-
Net cash from / (used in) operating activities		**27,338,013**	(11,147,568)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(347,699)**	(60,920)
Purchase of intangibles		**(1,153,796)**	-
Investment in financial assets at fair value through profit or loss		-	(25,000,000)
Net cash used in investing activities		**(1,501,495)**	(25,060,920)
NET INCREASE / (DECREASE) IN CASH AND BANK BALANCES		**25,836,518**	(36,208,488)
Cash and bank balances at the beginning of the period	6	**7,509,461**	92,478,188
CASH AND BANK BALANCES AT THE END OF THE PERIOD	6	**33,345,979**	56,269,700

The attached notes 1 to 18 form an integral part of these unaudited interim condensed 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 ("the Ultimate Parent"). Saudi shareholders own the Company, the Parent and the Ultimate Parent of the Company.

As at 31 March 2018, the Company operates through 7 branches (31 December 2017: 7 branches). The accompanying interim condensed financial statements include the assets, liabilities and results of these branches.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Basis of preparation

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

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

2.2 Statement of compliance

During 2017, the Saudi Arabian Monetary Authority (SAMA) issued a Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for Zakat and income tax. The impact of these amendments is that Zakat and income tax are to be accrued on a quarterly basis through shareholders' equity under retained earnings.

Applying the above framework, the interim condensed financial statements of the Company as at and for the three month period ended 31 March 2018 have been prepared using International Accounting Standard “Interim Financial Reporting” (IAS 34) as modified by SAMA for accounting of zakat and income tax.

These interim condensed financial statements do not include all the information required for the annual financial statements.

Certain of the prior period figures have been reclassified where necessary to conform with the presentation in the current period.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.3 Significant accounting Judgments, estimates and assumptions

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended December 31, 2017, except for as stated below:

Impairment of financing assets
The measurement of impairment losses requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's ECL calculations are outputs of complex model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL model that are considered accounting judgements and estimates include:

- The Company's internal credit grading model, which assigns Probabilities of Default (PDs) to the individual pool of receivables;
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime Expected Credit Loss (LTECL) basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels, and the effect on PDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model.

2.4 Impact of changes in accounting policies due to adoption of new standards

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards and amendments to existing standards mentioned below:

Effective 1 January 2018, the Company has adopted following accounting standards, interpretation, the impact of adoption of these are, explained below:

IFRS 15 - Revenue from Contracts with Customers
The Company adopted IFRS 15 'Revenue from Contracts with Customers' resulting in a change in the revenue recognition policy of the Company in relation to its contracts with customers. IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018.

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRSs. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Though there is change in accounting policy, however, management assessed and concluded that there is no material impact on the amounts reported at transition to IFRS 15 on 1 January 2018.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.4 Impact of changes in accounting policies due to adoption of new standards (continued)

IFRIC 22 – "Foreign Currency Transactions and Advance Consideration",

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company's interim condensed financial statements.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Classification of financial assets and financial liabilities

Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through statement of income ("FVIS"). This classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale investments. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Company classifies financial assets under IFRS 9, see respective section of significant accounting policies.

Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all the fair value changes of liabilities designated under the fair value option were recognised in interim condensed statement of income, under IFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in interim condensed consolidated statement of income.

For an explanation of how the Company classifies financial liabilities under IFRS 9, see respective section of significant accounting policies.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model ("ECL"). IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVIS as well we finance lease receivables, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Company applies the impairment requirements of IFRS 9, see respective section of significant accounting policies.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.4 Impact of changes in accounting policies due to adoption of new standards (continued)

IFRS 9 Financial Instruments (Continued)

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. A difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designated financial assets and financial liabilities as measured at FVIS.
- The designation of certain investments in equity instruments not held for trading as FVOCI.

It is assumed that the credit risk has not increased significantly for those debt instruments / securities who carry low credit risk at the date of initial application of IFRS 9.

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

Financial asset

At the date of transition of 1 January 2018, comparison of original measurement categories in accordance with IAS 39 and the new measurement categories and change in their carrying amount, if any, under IFRS 9 for the Company's financial assets is as follows:

Original classification under IAS 39	New classification under IFRS 9	Original carrying value under IAS 39	Revised carrying value under IFRS 9
		SR	***SR***
Loans and receivables	Amortized cost	10,450,777	10,450,777
Available for sale investments	Fair value through other comprehensive income	892,850	892,850

Financial liabilities

Classification and carrying value for the financial liabilities is same as at 31 December 2017 under IAS 39 and 1 January 2018 under IFRS 9.

Impact on accumulated losses

	Accumulated losses ***SR*** ***Unaudited***
Balance as at 31 December 2017 as previously stated	**(20,501,428)**
Additional impairment allowance on initial application of IFRS 9	**(3,394,346)**
Balance as at 31 December 2017 - restated	**(23,895,774)**

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.4 Impact of changes in accounting policies due to adoption of new standards (continued)

IFRS 7 "Financial Instruments: Disclosures "
The disclosures to reflect the differences between IAS 39 and IFRS 9, were also adopted by the Company together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as well as detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in note 14.

2.5 Significant accounting policies

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2017, except for the policies explained below. Based on the adoption of new standards, the following accounting policies are applicable effective 1 January 2018 replacing / amending or adding to the corresponding accounting policies set out in 2017 financial statements.

Classification of financial assets
On initial recognition, a financial asset is classified as amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through statement of income ("FVIS").

Financial asset at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVIS:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Financial asset at FVOCI

Debt instruments
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVIS:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (HTCS); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments
On initial recognition, for an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial asset at FVIS
All other financial assets are classified as measured at FVIS.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVIS if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.5 Significant accounting policies (continued)

Business model assessment
The Company makes an assessment of the objective of a business model under which an asset is held, at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and interest ("SPPI" criteria)
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of interest rates.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.5 Significant accounting policies (continued)

Classification of financial liabilities
Upon initial recognition, the Company classifies its financial liabilities, as measured at amortised cost.

Subsequently, financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through income statement or an entity has opted to measure a liability at fair value through income statement as per the requirements of IFRS 9.

Derecognition
The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in interim condensed statement of income.

From 1 January 2018, any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in interim condensed statement of income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and- repurchase transactions, as the Company retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Modifications of financial assets and financial liabilities

Financial assets
If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the interim condensed statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities
The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in interim condensed statement of income.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.5 Significant accounting policies (continued)

Impairment
The Company recognizes loss allowances for Expected Credit Loss ("ECL") on the following financial instruments that are not measured at FVIS:

- financial assets that are debt instruments; and
- loan commitments issued, if any.

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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 Company categorizes its financial assets into following three stages in accordance with the IFRS-9 methodology:

- Stage 1 – Financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months Probability of Default (PD).
- Stage 2 – Financial assets that has significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on life time PD.
- Stage 3 – For Financial assets that are impaired, the Company is recognize the impairment allowance based on life time PD.

The Company also considers 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 expert judgement, macroeconomic factors (e.g., unemployment, GDP growth, inflation and profit rates) and economic forecasts obtained through internal and external sources.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less cash flows that the Company expects to receive any.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.5 Significant accounting policies (continued)

Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original special commission rate of the existing financial asset.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of allowance for ECL in the interim condensed statement of financial position
Loss allowances for ECL are presented in the interim condensed statement of financial position as follows:

Financial assets measured at amortised cost
- as a deduction from the gross carrying amount of the assets;

Financial instrument includes both a drawn and an undrawn component
- where the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

Debt instruments measured at FVOCI
- no loss allowance is recognised in the interim condensed statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve. Impairment losses are recognised in interim condensed statement of income and changes between the amortised cost of the assets and their fair value are recognised in OCI.

Write-off
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due

Collateral valuation
To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as title to the leased vehicles, personal guarantees and other non-financial assets. The Company’s accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Company’s statement of financial position. However, the fair value of collateral affects the calculation of ECLs. The value of the collateral is determined at inception and remeasured at each reporting period considering the market trends.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.5 Significant accounting policies (continued)

Collateral repossessed

The Company's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to inventories at the repossession date in, line with the Company's policy.

3 REVENUE

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

4 DIRECT COSTS

	For the three month period ended 31 March 2018 SR Unaudited	*For the three month period ended 31 March 2017 SR Unaudited*
Finance cost	**1,141,622**	-
Others	**122,905**	55,417
	1,264,527	55,417

5 OTHER OPERATING INCOME

	For the three month period ended 31 March 2018 SR Unaudited	*For the three month period ended 31 March 2017 SR Unaudited*
Insurance reimbursed/(paid), net	**1,899,159**	(97,182)
Plate fee, net	**458,410**	236,457
Contract fee	**396,240**	333,858
Rebate on purchase of vehicles	**291,845**	9,151
Others	**133,886**	-
	3,179,540	482,284

6 CASH AND BANK BALANCES

	31 March 2018 SR Unaudited	*31 December 2017 SR Audited*
Cash in hand	**225,500**	5,000
Bank balances	**33,120,479**	7,504,461
	33,345,979	7,509,461

7 NET INVESTMENT IN FINANCE LEASE

	31 March 2018 SR Unaudited	*31 December 2017 SR Audited*
Gross investment in finance lease	**503,433,541**	395,938,085
Less: unearned finance income	**(174,108,532)**	(140,016,458)
	329,325,009	255,921,627
Less: impairment allowance	**(9,695,060)**	(3,048,549)
Net investment in finance lease	**319,629,949**	252,873,078

	31 March 2018-Unaudited			
	Gross investment SR	***Unearned finance income SR***	***Impairment allowance SR***	***Net investment SR***
Current portion	108,380,928	(49,685,306)	(9,695,060)	**49,000,562**
Non-current portion	395,052,613	(124,423,226)	-	**270,629,387**
	503,433,541	**(174,108,532)**	**(9,695,060)**	**319,629,949**

	31 December 2017-Audited			
	Gross investment SR	*Unearned finance income SR*	*Impairment allowance SR*	*Net investment SR*
Current portion	82,509,747	(38,815,616)	(3,048,549)	40,645,582
Non-current portion	313,428,338	(101,200,842)	-	212,227,496
	395,938,085	(140,016,458)	(3,048,549)	252,873,078

7 NET INVESTMENT IN FINANCE LEASE (continued)

a) The movement in impairment allowance is given below

	For the three month period ended 31 March 2018 SR Unaudited	*For the three month period ended 31 March 2017 SR Unaudited*
At the beginning of the period	**3,048,549**	-
Impact of initial application of IFRS 9 (note 2.4)	**3,394,346**	-
At the beginning of the period – restated	**6,442,895**	-
Provided during the period	**3,252,165**	323,076
	9,695,060	323,076

b) The ageing of gross finance lease receivables, which are past due is as follows:

	31 March 2018 SR Unaudited	*31 December 2017 SR Audited*
1 – 3 months	**1,556,729**	1,765,402
4 – 6 months	**528,402**	689,135
7 – 12 months	**508,611**	171,630
Over 12 months	**7,744**	-
	2,601,486	2,626,167

The not yet due portion of overdue finance lease receivables amounted to SR 302,296,093 (31 December 2017: 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 96% of the total gross investments.

8 ACCOUNTS PAYABLE, ACCRUED AND OTHER LIABILITIES

	31 March 2018 SR Unaudited	*31 December 2017 SR Audited*
Accounts payables (note below)	**61,403,211**	67,757,877
Accrued liabilities	**3,771,259**	4,344,128
Other payables	**1,214,114**	-
	66,388,584	72,102,005

It represents amount payable to suppliers against purchase of vehicles leased out to customers.

9 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.

a) Following are the details of related party transactions entered during the period:

Related Party	**Nature of transaction**	***For the three month period ended 31 March 2018 SR Unaudited***	*For the three month period ended 31 March 2017 SR Unaudited*
Ultimate Parent	Payments on behalf of the Company	**46,193,992**	-
	Collections from the Company's customers	**12,699,485**	-
	Expenses recharged	**399,248**	19,206
Others	Purchase of vehicles	**18,485,325**	-
	Insurance services	**553,645**	-
	Short term deposits	-	50,000,000
	Financial assets at fair value through profit or loss	-	25,000,000

	For the three month period ended 31 March 2018 SR Unaudited	*For the three month period ended 31 March 2017 SR Unaudited*
Key management remuneration	**272,400**	271,900
Short term employee benefits	**204,972**	69,358
	477,372	341,258

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due to related parties comprised the following:

	31 March 2018 SR Unaudited	*31 December 2017 SR Audited*
Taajeer Group	**72,800,586**	80,153,577
Taajeer International Company Limited	**55,239,573**	36,754,248
Salama Cooperative Insurance Company	**770,345**	640,895
Taajeer National Company for Maintenance and Integrated Services Limited	**213,044**	151,172
Awaed Company	**27,075**	-
	129,050,622	117,699,892

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).

10 LONG TERM LOANS

This represents long term loans from a bank to meet the Company's working capital requirements. These loans are secured by the guarantees from shareholder and carry commercial profit rate.

11 SHARE CAPITAL

The share capital of the Company is divided into 10,000,000 shares of SR 10 each. As at 31 March 2018 and 31 December 2017, the share capital is owned as follows:

	No. of shares of SR 10 each	***31 March 2018 SR Unaudited***	*31 December 2017 SR Audited*
Taajeer Gulf Company Limited	**100,000**	**1,000,000**	1,000,000
Taajeer Global 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

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.

12 ZAKAT

The Company is subject to the Regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia. According to the new Zakat Regulations, Holding Companies and their fully owned subsidiaries (with direct / indirect legal 100% ownership) are required to submit a consolidated declaration with GAZT through ERAD system and settle Zakat obligations on consolidated basis. Accordingly, no provision for zakat has been made in these financial statements of the Company and any Zakat liability / settlement of the Company is being considered in the books of Taajeer Group.

Status of assessments
The assessments for the period from 24 May 2016 to 31 December 2016 have not yet been raised by General Authority for Zakat and Tax (the "GAZT").

13 LEASE COMMITTMENTS

Operating lease commitments 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 period. Future minimum rentals as at 31 March 2018 payable under non-cancellable operating leases amounted to SR 352,500 (31 March 2017 amount to SR 1,111,244).

14 FINANCIAL RISK MANAGEMENT

Credit Risk

a) *Credit quality analysis*
The following table sets out information about the credit quality of financial assets measured at amortised cost as at 31 March 2018. Investment in finance and the corresponding ECL allowance as at 31 March 2017 and 31 December 2017 classified into is as follows:

	31 March 2018			
Description	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Net carrying amount before ECL	**278,155,034**	**29,228,937**	**21,941,038**	**329,325,009**
ECL	**2,028,564**	**483,356**	**7,183,140**	**9,695,060**

	31 December 2017			
Description	Stage 1	Stage 2	Stage 3	Total
Net carrying amount before ECL	234,849,184	9,983,472	15,048,671	259,881,327
ECL	1,537,719	200,263	4,704,913	6,442,895

b) *Amounts arising from ECL – significant increase in credit risk*
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure based on approved stages of criteria.

14 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

a) *Generating the term structure of PD*

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used.

The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors include GDP growth, benchmark interest rates, unemployment etc. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

b) *Determining whether credit risk has increased significantly*

The criteria for determining whether credit risk has increased significantly include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition, which is determined under basis of Company’s staging criteria.

Using its expert credit judgment and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and.
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

14 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades (continued)

c) Modified financial assets

The contractual terms of a financing and advances may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing and advances whose terms have been modified may be derecognised and the renegotiated financing and advances recognised as a new financing and advances at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

The Company renegotiates finance lease receivables to customers in financial difficulties (referred to as 'forbearance activities' to maximize collection opportunities and minimize the risk of default. Under the Company's policy, Finance lease receivables forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of leasing and instalments covenants. Both consumer and corporate portfolios are subject to the forbearance policy.

d) Definition of 'Default'

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any material credit obligations to the Company including principal instalments and interest payments.
- The Company considers that the obligor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any).

e) Incorporation of forward looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom of Saudi Arabia and selected private sector and academic forecasters.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

14 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades (continued)

f) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following parameters. These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on models and assessed using tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the recoveries and costs incurred in the process to arrive at the estimates.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount.

The Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of finance lease receivables.

Capital management

The Company’s capital management objectives are to ensure the Company’s ability to continue as a going concern, meet the regulatory requiremnets 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 period from 1 January 2018 to 31 March 2018.

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

	31 March 2018 SR Unaudited	*31 December 2017 SR Audited*
Capital adequacy ratio (Net investment in finance lease divided by shareholders’ equity)	**4.29 times**	3.21 times

14 FINANCIAL RISK MANAGEMENT (continued)

Capital management (continued)

Anticipating the breach of the aggregate amount of financing as stipulated in the Implementing Regulations of the Finance Companies Control Law, the management informed SAMA and requested to increase the aggregate financing threshold through a letter dated 11 November 2017. In accordance with Article 54 (2) of the Implementing Regulations of the Finance Companies Control Law, SAMA through a letter dated 17 January 2018 allowed the Company to exceed aggregate financing threshold to 3.5 times the shareholders' equity. However, as of 31 March 2018, the Company exceeded the stipulated threshold.

The Company is in process to increase its share capital and approval has been obtained from SAMA through a letter dated 18 March 2018 (corresponding to 1 Rajab 1439H). Once the legal procedures for capital increase are completed, the Company expect to be compliant with the financing threshold.

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, net investment in finance lease, investment classified as investment classified as FVOCI, employees' receivables, net deferred consideration receivable, due from related parties and other receivables. Its financial liabilities consist of due to related parties, accounts payable and payable under purchase and agency agreement.

The fair values of the financial instruments are not materially different from their carrying amounts except for the finance lease receivables.

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

The carrying amounts of the financial assets and liabilities which are carried at their amortised cost, approximate their fair values.

16 SUBSEQUENT EVENTS

The shareholders of the Company have approved to increase the share capital of the Company by SR 100 million through a resolution passed at Extra Ordinary General Meeting held on 3 April 2018 (corresponding to 17 Rajab 1439H). The Company is in the process to complete the legal formalities in this regard.

17 RESULTS OF INTERIM PERIOD

The interim condensed financial statements may not be considered indicative of the expected results for the full year.

18 BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on 25 April 2018 (corresponding to 9 Sha'ban 1439H).