RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
AND INDEPENDENT AUDITORS' REPORT

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(A Saudi Closed Joint Stock Company)
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FOR THE YEAR ENDED DECEMBER 31, 2016

INDEPENDENT AUDITORS' REPORT February 20, 2017

To the shareholders of Raya Financing Company:
(A Saudi Closed Joint Stock Company)

Scope of audit

We have audited the accompanying statement of financial position of Al Raya Financing Company (the "Company") as of December 31, 2016 and the related statements of comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and the notes from 1 to 21 which form an integral part of these financial statements. These financial statements, which were prepared by the Company to comply with the applicable articles of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards (IFRS); and

- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of financial statements.

PricewaterhouseCoopers

By: ______________________
Ali H. Al Basri
License Number 409

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2016	2015
Assets			
Non-current assets			
Property and equipment	5	**586,751**	567,291
Intangible assets	6	**7,681,705**	-
Net investment in finance leases - non-current portion	7	**12,491,250**	-
		20,759,706	567,291
Current assets			
Net investment in finance leases - current portion	7	**2,163,323**	-
Prepayments and other receivables		**775,482**	150,253
Cash and cash equivalents	8	**65,679,614**	99,999,900
		68,618,419	100,150,153
Total assets		**89,378,125**	100,717,444
Liabilities			
Non-current liabilities			
Employee benefit obligations		**1,188,133**	940,833
Current liabilities			
Accounts payable	9	**5,683,847**	8,536,884
Accrued and other liabilities	10	**1,307,820**	285,356
Zakat payable	11	**1,551,018**	-
		8,542,685	8,822,240
Total liabilities		**9,730,818**	9,763,073
Shareholders’ equity			
Share capital	12	**100,000,000**	100,000,000
Accumulated losses		**(20,352,693)**	(9,045,629)
Total shareholders’ equity		**79,647,307**	90,954,371
Total liabilities and shareholders’ equity		**89,378,125**	100,717,444
Commitments	16		

The accompanying notes from 1 to 21 form an integral part of these financial statements.

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE LOSS
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2016	For the period from January 28, 2015 to December 31, 2015
Income			
Income from finance leases		**529,426**	-
Rebate on purchase of motor vehicles		**266,301**	-
		795,727	-
Expenses			
Provision for impairment of lease receivables		**(380,623)**	-
Insurance and other cost of financed vehicles		**(322,998)**	-
Pre-establishment expenses		**-**	(4,203,899)
Selling and marketing	13	**(1,484,635)**	-
General and administrative	14	**(8,523,762)**	(4,841,730)
Loss from operations		**(9,916,291)**	(9,045,629)
Other income		**160,245**	-
Loss before zakat		**(9,756,046)**	(9,045,629)
Zakat	11	**(1,551,018)**	-
Net loss for the year / period		**(11,307,064)**	(9,045,629)
Other comprehensive income		**-**	-
Total comprehensive loss for the year / period		**(11,307,064)**	(9,045,629)

The accompanying notes from 1 to 21 form an integral part of these financial statements.

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	**Accumulated losses**	**Total**
Balance at January 1, 2016	100,000,000	(9,045,629)	**90,954,371**
Total comprehensive loss for the year	-	(11,307,064)	**(11,307,064)**
Balance at December 31, 2016	**100,000,000**	**(20,352,693)**	**79,647,307**
Balance at January 28, 2015	-	-	-
Share capital contribution	100,000,000	-	100,000,000
Total comprehensive loss for the period	-	(9,045,629)	(9,045,629)
Balance at December 31, 2015	100,000,000	(9,045,629)	90,954,371

The accompanying notes from 1 to 21 form an integral part of these financial statements.

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2016	For the period from January 28, 2015 to December 31, 2015
Cash flows from operating activities			
Loss before zakat		**(9,756,046)**	(9,045,629)
Adjustments for non-cash items			
Depreciation	5	**100,783**	166,284
Amortization	6	**186,114**	-
Provision for impairment of lease receivables	7	**380,623**	-
Employee benefit obligations		**280,650**	119,494
Changes in working capital			
Net investment in finance leases		**(15,035,196)**	-
Prepayments and other receivables		**(625,229)**	(150,253)
Accounts payable		**(2,886,387)**	8,536,884
Accrued and other liabilities		**1,022,464**	373,120
Net cash used in operating activities		**(26,332,224)**	(100)
Cash flows from investing activities			
Additions to property and equipment	5	**(120,243)**	-
Additions to intangible assets	6	**(7,867,819)**	-
Net cash used in investing activities		**(7,988,062)**	-
Cash flows from financing activity			
Share capital contribution		**-**	100,000,000
Net change in cash and cash equivalents		**(34,320,286)**	99,999,900
Cash and cash equivalents at beginning of year / period		**99,999,900**	-
Cash and cash equivalents at end of year / period	8	**65,679,614**	99,999,900
Supplemental cash flow information			
Non-cash operating activity-			
Employee benefit obligations transferred (to) / from a related party	15.1	**(33,350)**	821,339
Non-cash investing activity-			
Property and equipment transferred from a related party	15.1	**-**	733,575

The accompanying notes from 1 to 21 form an integral part of these financial statements.

1 General information

Raya Financing Company (the "Company") is a Saudi closed joint stock company, registered in the Kingdom of Saudi Arabia under the commercial registration ("CR") number 2050104609 issued in Dammam on 8 Rabi II 1436H (January 28, 2015) and operating under the Saudi Arabian Monetary Agency (SAMA) approval number 351000153064 dated 25 Dhul Hijjah 1435H (October 19, 2014). The Company has obtained the license from SAMA to conduct finance leasing activities on 14 Jumada II, 1437H (March 23, 2016). The registered address of the Company is P.O. Box 336, Dammam 31411, Kingdom of Saudi Arabia.

As per the Company's By-laws, its first financial period started from the date of CR on January 28, 2015 and ended on December 31, 2015.

2 Basis of preparation

2.1 Compliance with IFRS

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Historical cost convention

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.

2.3 New IFRS, IFRIC and amendments thereof, adopted by the Company

The accounting policies used in the preparation of these financial statements are consistently applied for all years presented, except for the adoption of certain amendments and revisions to existing standards as mentioned below, which are effective for periods beginning on or after January 1, 2016 but had no significant financial impact on the financial statements of the Company:

- Annual improvements 2012, effective July 1, 2014. These annual improvements include changes to:
  - IFRS 2, 'Share based payments',
  - IFRS 3, 'Business combinations',
  - IFRS 8, 'Operating segments',
  - IAS 16, 'Property, plant and equipment',
  - IAS 38, 'Intangible assets',
  - IFRS 13, 'Fair value measurement';
  - IAS 39, 'Financial instruments - recognition and measurement
- Amendments to IAS 19, 'Employee benefits' on defined benefit plans, effective July 1, 2014. This amendment clarifies the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits.
- IFRS 14, 'Regulatory deferral accounts', effective January 1, 2016. This is an interim standard on the accounting for certain balances that arise from rate regulated activities ('regulatory deferral accounts'). It is only applicable to those entities that apply IFRS 1 as first-time adopters of IFRS.
- Annual improvements 2014, effective July 1, 2016. It includes changes to:
  - IFRS 5, 'Non-current assets held for sale and discontinued operations'
  - IFRS 7, 'Financial instruments: Disclosures'
  - IAS 19, 'Employee benefits', and
  - IAS 34, 'Interim financial reporting'

- Amendments to IFRS 11, 'Joint arrangements' regarding acquisition of an interest in a joint operation, effective January 1, 2016. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortization, effective January 1, 2016. This amendment clarifies the acceptable methods of depreciation and amortization.

- Amendment to IAS 27, 'Separate financial statements' regarding the equity method, effective January 1, 2016. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture, effective January 1, 2016. These amendments clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.

- Amendments to IAS 1, 'Presentation of financial statements' - Disclosure initiative, effective January 1, 2016. The amendments explore how financial statement disclosures can be improved. They provide clarifications on a number of issues, including materiality and disaggregation and sub-totals of line items specified in IAS 1.

2.4 Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2017 and have not been early adopted by the Company

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing after January 1, 2017:

- IFRS 9, 'Financial instruments', effective January 1, 2018. This replaces IAS 39, 'financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model;

- IFRS 15, 'Revenue from contracts with customers', effective January 1, 2018. It has established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction contracts and the related interpretations;

- Amendments to IAS 7, 'Statement of Cash flows' on disclosure initiative, effective January 1, 2017. These amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from the financing activities;

- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealized losses, effective January 1, 2017. This amendment clarifies the measurement basis for cash- settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled;

- IFRS 16' Leases', effective 1 January 2019. This standard replaced the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular;

- Amendment to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments', effective January 1, 2018.

- Annual improvements 2014 - 2016, effective January 1, 2018. It includes changes to:

  - IFRS 1, 'First time adoption of IFRS'
  - IFRS 12, 'Disclosure of interests in other entities '
  - IAS 28, 'Investments in associates and joint ventures'.

- IFRIC 22, 'Foreign currency transactions and advance consideration' effective January 1, 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below.

3.1 Foreign currency translations

(a) Functional and presentation currency

These financial statements are presented in Saudi Riyals (“SR) which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive loss.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and short-term highly liquid investments, with original maturities up to three months, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

3.3 Net investment in finance leases

Leases in which the Company transfers substantially all the risk and rewards incidental to the ownership of an asset to the lessees are classified as finance lease. Finance leases are recorded at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments (“PVMLP) and subsequently measured at amortized cost using effective commission rate.

Gross investment in finance leases include the total of future lease payments on finance leases including residual amount receivable (“Lease rentals”). Security deposits with right to offset against lease rentals are deducted from gross investments in finance lease. The difference between lease rentals and the cost of the leased asset including transaction costs is recorded as unearned finance income.

For presentation purposes, the unearned finance income and impairment provision for lease losses are deducted from the gross investment in finance leases.

3.4 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment, if any. Depreciation is charged to the statement of comprehensive loss, using the straight-line method, to allocate their cost, net of their residual values, if any, over their estimated useful lives, as follows:

	Number of years
• Vehicles	4
• Furniture and fixtures	5
• Computer and office equipment	3

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

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

All other repairs and maintenance are charged to the statement of comprehensive loss during the financial period in which they are incurred.

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

3.5 Intangible assets

Intangible assets having definite lives are stated at cost less accumulated amortization and accumulated impairment, if any except for intangible assets under development which are carried at cost. Amortization is charged to the statement of comprehensive loss, using the straight-line method, to allocate the cost over the estimated useful lives not exceeding seven years. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to the statement of comprehensive loss in the period in which they arise.

3.6 Impairment of financial and non-financial assets

Financial assets at amortized cost

Impairment assessment for all individually significant financial assets is done at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired based on the following:

- Default or delinquency by the counter party; and
- Indications that the counter party will enter bankruptcy.

If such evidence exist, an impairment loss is recognized in the statement of comprehensive loss based on the present value of expected future cash flows (generated from customers or sale of collaterals) discounted at the original effective commission rate.

Other than individually significant financial assets are also collectively assessed by the management for impairment at each reporting date based on the probability of default calculated on historical trend and other factors.

Financial assets are written off only in circumstances where there are no realistic prospects of recovery.

Non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive loss.

3.7 Accounts payable and accruals

Liabilities are obligations to pay for goods and services received, whether or not billed to the Company. Trade payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.8 Employee benefit obligations

The Company provides end-of-service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds or high-quality corporate bonds.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of comprehensive loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of comprehensive loss as past service costs.

The calculation of defined benefit obligations is performed periodically using the projected unit credit method.

3.9 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

3.10 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Finance lease income is recognized over the term of the lease using the effective yield method. Rebate on purchase of motor vehicles and other income are recognized on accrual basis as the right to receive is established.

3.11 Expenses

Selling, marketing, general and administrative expenses include direct and indirect costs not specifically part of cost of revenue as required under generally accepted accounting standards. Allocations between selling, general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

Insurance and other cost of financed vehicles are disclosed separately in the statement of comprehensive loss.

3.12 Operating leases

Rental expenses under operating leases are charged to the statement of comprehensive loss over the period of the respective lease.

3.13 Zakat and taxes

In accordance with the regulations of the General Authority for Zakat and Tax (“GAZT”) in the Kingdom of Saudi Arabia, the Company is subject to zakat. Provision for zakat is charged to the statement of comprehensive loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian income Tax law.

3.14 Financial assets and financial liabilities

Financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be. These assets and liabilities are off set and the net amount is reported in the statement of financial position if the Company has a legal right to set off the transaction and also intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4 Critical accounting estimates and assumptions

The preparation of the financial statements in conformity with IFRSs 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 expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. There are no critical accounting estimates and assumptions used in the preparation of these financial statements. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

1- Provision for impairment of lease receivables - note 3.6 and note 7
2- Useful lives of property & equipment and intangible assets – note 5 and 6

(All amounts in Saudi Riyals unless otherwise stated)

5 Property and equipment

	January 1, 2016	Additions	December 31, 2016
2016			
Cost			
Vehicles	108,535	-	**108,535**
Furniture and fixtures	569,555	70,609	**640,164**
Computer and office equipment	55,485	49,634	**105,119**
	733,575	120,243	**853,818**
Accumulated depreciation			
Vehicles	(63,312)	(27,134)	**(90,446)**
Furniture and fixtures	(94,499)	(62,840)	**(157,339)**
Computer and office equipment	(8,473)	(10,809)	**(19,282)**
	(166,284)	(100,783)	**(267,067)**
	567,291		**586,751**

	January 28, 2015	Additions / transfers	December 31, 2015
2015			
Cost			
Vehicles	-	108,535	108,535
Furniture and fixtures	-	569,555	569,555
Computer and office equipment	-	55,485	55,485
	-	733,575	733,575
Accumulated depreciation			
Vehicles	-	(63,312)	(63,312)
Furniture and fixtures	-	(94,499)	(94,499)
Computer and office equipment	-	(8,473)	(8,473)
	-	(166,284)	(166,284)
	-		567,291

6 Intangible assets

	Note	2016	2015
Software and license	6.1	**5,025,068**	-
Software under development	6.2	**2,656,637**	-
		7,681,705	-

(All amounts in Saudi Riyals unless otherwise stated)

6.1 Software and license

	2016	2015
Cost		
At beginning of year / period	-	-
Additions / transfers	5,211,182	-
At end of year / period	5,211,182	-
Accumulated amortization		
At beginning of year / period	-	-
Charge for the year / period	(186,114)	-
At end of year / period	(186,114)	-
Net book value		
December 31	5,025,068	-

6.2 Software under development

This represents expenditure incurred during the year on software under development.

7 Net investment in finance leases

7.1 Reconciliation between gross and net investment in finance leases is as follows:

	2016	2015
Gross investment in finance leases	23,312,599	-
Unearned insurance income	(4,303,826)	
Unearned finance income	(3,973,577)	-
Present value of minimum lease payments receivable	15,035,196	-
Provision for impairment of lease receivables	(380,623)	-
Net investment in finance leases	14,654,573	-
Investment in finance lease - non-current portion	(12,491,250)	-
Investment in finance lease - current portion	2,163,323	-

7.2 Credit quality analysis of investment in finance leases is as follows:

	2016	2015
Gross investment in finance lease		
Not past due	23,264,331	-
Past due	48,268	-
	23,312,599	-
Net investment in finance lease		
Not past due	14,607,093	-
Past due	47,480	-
	14,654,573	-

(All amounts in Saudi Riyals unless otherwise stated)

7.3 Aging analysis of past due receivables is as follows:

	2016	2015
Past due gross receivables		
Up to 3 months	**48,268**	-
	48,268	-
Past due net receivables		
Up to 3 months	**47,480**	-
	47,480	-

7.4 Maturity profile of gross investment in finance and present value of minimum lease payments receivables is as follows:

	2016	2015
Gross investment in finance leases		
Within one year	**4,375,214**	-
From one to three years	**8,912,425**	-
Three to five years	**10,024,960**	-
	23,312,599	-
Present value of minimum lease payments receivable		
Within one year	**2,162,985**	-
From one to three years	**5,172,372**	-
Three to five years	**7,699,839**	-
	15,035,196	-

7.5 The movement in provision for impairment of lease receivables is as follows:

	2016	2015
Opening balance	**-**	-
Charge for the period	**(380,623)**	-
Closing balance	**(380,623)**	-

The Company currently generates substantially all of its revenues from leasing of motor vehicles in the Kingdom of Saudi Arabia. All the finance leases receivables of the Company are related to general customers. The credit risk on net investment in finance leases is generally mitigated by the retention of legal title documents on leased assets. The net investment portfolio of SR 14.6 million neither past due nor impaired has satisfactory history of repayments.

8 Cash and cash equivalents

	2016	2015
Cash in hand	**5,000**	-
Cash at bank	**15,674,614**	99,999,900
Term deposits	**50,000,000**	-
	65,679,614	99,999,900

Term deposits are held by a commercial bank and yield financial income at prevailing market rates.

(All amounts in Saudi Riyals unless otherwise stated)

9 Accounts payable

	Note	2016	2015
Trade		**613,989**	-
Related parties	15	**5,069,858**	8,536,884
		5,683,847	8,536,884

10 Accrued and other liabilities

	2016	2015
Accrued expenses	**528,823**	285,356
Advance from customers	**778,997**	-
	1,307,820	285,356

11 Zakat matters

11.1 Components of approximate zakat base

	2016	2015
Shareholders' equity at beginning of year	**90,954,371**	-
Provisions at beginning of year	**940,833**	-
Adjusted net income for the year	**(9,094,773)**	-
Non-current assets, as adjusted	**(8,268,456)**	-
Net investment in finance leases - non-current portion	**(12,491,250)**	-
Approximate zakat base	**62,040,725**	-

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

11.2 Provision for zakat

	2016	2015
At beginning of year / period	**-**	-
Provisions for the year / period	**1,551,018**	-
At end of year / period	**1,551,018**	-

No provision for zakat was made as of December 31, 2015 as the Company had not completed one full year of operations as of December 31, 2015.

(All amounts in Saudi Riyals unless otherwise stated)

12 Share capital

At December 31, the share capital consisting of 10 million shares of Saudi Riyals 10 each was held as follows:

Name	**County of incorporation**		**Shareholding**
		2016	**2015**
Al Majdouie Motors Company Limited	Saudi Arabia	20%	20%
Al Majdouie Manufacturing Company Limited	Saudi Arabia	20%	20%
Majd Real Estate Development Company Limited	Saudi Arabia	20%	20%
Al Majdouie Logistics Company Limited	Saudi Arabia	20%	20%
Al Majdouie Education and Training Company Limited	Saudi Arabia	20%	20%
Total		100%	100%

The Company is ultimately owned by Al Majdouie Holding Company Limited, which is a Saudi limited liability company registered in the Kingdom of Saudi Arabia.

13 Selling and marketing expenses

	2016	2015
Salaries and benefits	**1,221,243**	-
Advertising and marketing	**174,321**	-
Commissions	**35,640**	-
Travel	**24,493**	-
Maintenance	**6,615**	-
Other	**22,323**	-
	1,484,635	-

14 General and administrative expenses

	Note	**2016**	**2015**
Salaries and benefits		**3,836,394**	1,954,197
Support service costs	15	**1,568,117**	1,391,003
Software support		**1,548,975**	-
Rent	15	**337,714**	337,714
Governmental fees		**208,404**	398,100
Depreciation and amortization		**286,897**	166,284
Other		**737,261**	594,432
		8,523,762	4,841,730

(All amounts in Saudi Riyals unless otherwise stated)

15 Related party transactions and balances

15.1 Significant transactions with related parties in the ordinary course of business during the year / period were as follows:

	For the year ended December 31, 2016	For the period from January 28, 2015 to December 31, 2015
Al Majdouie Holding Company Limited - Ultimate Holding Company		
Support service costs charged to the Company	**1,253,285**	-
Al Majdouie Motors Company Limited - Shareholder		
Purchases	**16,615,117**	-
Support service costs charged to the Company	**314,832**	1,391,003
Employee benefit obligations transferred (from) / to the Company	**(33,350)**	821,339
Rebate on purchase of motor vehicles	**266,301**	-
Transfer of pre-establishment expenses	**-**	4,203,899
Property and equipment transferred	**-**	733,575
Majd Real Estate Development Company Limited - Shareholder		
Rent charged to the Company	**337,714**	337,714
Key management personnel		
Key management compensation	**782,447**	256,951
Employee benefit obligations	**109,737**	66,680

15.2 Accounts payable include the following amounts due to related parties:

	2016	**2015**
Al Majdouie Holding Company Limited - Ultimate Holding Company	**374,387**	-
Al Majdouie Motors Company Limited - Shareholder	**4,581,299**	8,536,884
Majd Real Estate Development Company Limited - Shareholder	**100,685**	-
Al Majdouie Manufacturing Company Limited - Shareholder	**727**	-
Arjaa Travels (Al Majdouie Travel Agency) - a related party	**12,760**	-
	5,069,858	8,536,884

16 Commitments

The operating lease commitments for the Company's office premises are as follows:

	2016	**2015**
Less than one year	**337,114**	337,114
	337,114	337,114

17 Fair values of financial assets and financial liabilities

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: quoted market prices (unadjusted) in active markets for identical financial assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs that are unobservable.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Where available, the fair value of net investment in finance lease is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include information obtained from other market participants, which includes observed primary and secondary transactions.

Fair value hierarchy of financial assets and financial liabilities

The fair value of financial assets and liabilities measured at amortized cost which approximate to their fair value.

Accounting classification and carrying values of financial assets and financial liabilities

Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values. All financial assets and financial liabilities of the Company are categorized as held at amortized cost.

18 Financial instruments and risk management

The Company’s activities expose it to a variety of financial risks: market risk (including currency risk and commission rate risk), credit risk and liquidity risk. The Company’s overall risk management program, which is carried out by senior management, focuses on having cost effective funding as well as managing financial risks to minimize earning volatility and provide maximum return to shareholders. The risks faced by the Company and their respective mitigating strategies are summarized below.

18.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause a financial loss to the Company. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The management analyses credit risk into the following categories:

Net investment in finance leases

Investment in finance lease receivables is generally exposed to significant credit risk. Therefore, the Company has established procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral such as title on leased assets, and personal guarantees whenever considered necessary. The Company also follows a credit classification mechanism as a tool to manage the quality of credit risk of the lease portfolio and grades the individual customers based on both subjectivity and payment history taking into consideration factors such as customer credit standing, financial strength, security and quality of management.

The Company monitors customers' grading on a regular basis. As at the statement of financial position date, past due but not fully impaired balances amounted to Saudi Riyals 48.3 thousand which are outstanding for less than three months. The management believes that adequate provision has been accounted for, where required to address the credit risk. Further details related to net investment in finance leases and related risk are presented in Note 3.6 and note 7 to these financial statements.

Cash and cash equivalents and other receivables

These are placed with banks having good credit ratings, and therefore are not subject to significant credit risk. Other receivables are not exposed to significant credit risk.

18.2 Commission rate risk

Commission rate risk is the uncertainty of future earnings resulting from fluctuations in commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to commission rate adjustment within a specified period. The most important source of such risk is the Company's leasing activities, where fluctuations in commission rates, if any, are reflected in the results of operations. The Company’s management monitors the fluctuations in commission rates on regular basis and believes that the commission rate risk is not material.

18.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has no significant exposure to currency risk as it mainly deals in Saudi Riyals which is also the functional currency of the Company.

(All amounts in Saudi Riyals unless otherwise stated)

18.4 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet financial commitments. As at December 31, 2016, the Company's contractual maturities of financial liabilities up to one year are of Saudi Riyals 6.98 million. The Company manages liquidity risk by maintaining sufficient cash and bank balances. As at balance sheet date, based on the following maturity profile the Company is not exposed to liquidity risk.

	Up to one year	One to three years	More than three years	Total
Financial assets - commission bearing:				
Net investment in finance leases	2,104,167	5,043,063	7,507,343	**14,654,573**
Cash and cash equivalents	50,000,000	-	-	**50,000,000**
Financial assets - non commission bearing:				
Cash and cash equivalents	15,679,649	-	-	**15,679,649**
Other receivables	237,635	-	-	**237,635**
	68,021,451	**5,043,063**	**7,507,343**	**80,571,857**
Financial liabilities - non commission bearing:				
Accounts payable	5,683,847	-	-	**5,683,847**
Accrued and other liabilities	1,307,820	-	-	**1,307,820**
	6,991,667	-	-	**6,991,667**
Net financial assets:				
Commission bearing	52,104,167	5,043,063	7,507,343	**64,654,573**
Non commission bearing	8,925,617	-	-	**8,925,617**
	61,029,784	**5,043,063**	**7,507,343**	**73,580,190**

19 Capital risk management

The Company's objective when managing capital are to safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital.

Total capital for the Company is calculated as 'total shareholders' equity' as shown in the statement of financial position. As at 31 December 2016 and 2015, the Company had no debt and was therefore un-geared.

20 Comparative figures

Certain prior period figures for 2015 have been reclassified to conform to the current year's presentation.

21 Date of authorization of issue

The accompanying financial statements were authorized for issue by the Board of Directors on February 20, 2017.