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

FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE PERIOD FROM
24 MAY 2016 TO 31 DECEMBER 2016

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND AUDITOR'S REPORT
31 December 2016

Building a better working world

Ernst & Young & Co. (Public Accountants)
13th Floor – King's Road Tower
PO Box 1994
King Abdulaziz Road (Malek Road)
Jeddah 21441
Saudi Arabia
Registration Number: 45

Tel: +966 12 221 8400
Fax: +966 12 221 8575

www.ey.com

AUDITORS' REPORT

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

Scope of audit
We have audited the accompanying statement of financial position of Taajeer Finance Lease Company (a Saudi Closed Joint Stock Company) (the "Company") as at 31 December 2016 and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the period from 24 May 2016 to 31 December 2016 and the related notes from 1 to 17, which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards, Regulations for Companies and the Company's bye-laws and submitted to us together with all the information and explanations which we required. 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 the Kingdom of 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 principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

i) present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and the results of its operations and its cash flows for the period from 24 May 2016 to 31 December 2016 in accordance with the International Financial Reporting Standards; and

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

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

16 Jumada I 1438H
13 February 2017

Jeddah
16/205/00

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
For the period from 24 May 2016 to 31 December 2016

	Note	*For the period from 24 May 2016 to 31 December 2016* ***SR***
General and administrative expenses	4	**(2,933,489)**
TOTAL OPERATING EXPENSES		**(2,933,489)**
Finance charges	5	**(5,001,000)**
Finance income		**528,845**
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	6	**(7,405,644)**

The attached notes 1 to 17 form an integral part of these financial statements.

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	*31 December 2016 SR*
ASSETS		
Cash and cash equivalents	7	**92,478,188**
Prepayments and other receivables	8	**1,683,477**
Property and equipment	9	**495,100**
Intangibles	10	**4,950,064**
TOTAL ASSETS		**99,606,829**
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Due to a related party	11	**6,530,313**
Accrued and other liabilities	12	**431,934**
Employees' terminal benefits		**50,226**
TOTAL LIABILITIES		**7,012,473**
SHAREHOLDERS' EQUITY		
Share capital	13	**100,000,000**
Loss for the period		**(7,405,644)**
TOTAL SHAREHOLDERS' EQUITY		**92,594,356**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**99,606,829**

The attached notes 1 to 17 form an integral part of these financial statements.

TAAJEER FINANCE LEASE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the period from 24 May 2016 to 31 December 2016

	Note	*Share capital SR*	*Loss for the period SR*	*Total SR*
Share capital issued	13	100,000,000	-	**100,000,000**
Loss and total comprehensive loss for the period		-	(7,405,644)	**(7,405,644)**
Balance as at 3 December 2016		**100,000,000**	**(7,405,644)**	**92,594,356**

The attached notes 1 to 17 form an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS

For the period from 24 May 2016 to 31 December 2016

	Note	*For the period from 24 May 2016 to 31 December 2016* *SR*
OPERATING ACTIVITIES		
Loss for the period		**(7,405,644)**
Adjustments to reconcile loss for the period to net cash flows:		
Depreciation and amortisation	4	**136,553**
Provision for employees' terminal benefits		**50,226**
		(7,218,865)
Changes in operating assets and liabilities:		
Prepayments and other receivables	8	**(1,683,477)**
Due to a related party	11	**1,459,515**
Accrued and other liabilities	12	**431,934**
Net cash used in operating activities		**(7,010,893)**
INVESTING ACTIVITIY		
Purchase of property and equipment	9	**(510,919)**
FINANCING ACTIVITY		
Proceeds from issuance of share capital	13	**100,000,000**
NET INCREASE AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	**92,478,188**
NON-CASH TRANSACTIONS		
Allocation of cost incurred for purchase of software	11	**5,070,797**

The attached notes 1 to 17 form an integral part of these financial statements.

1 ORGANIZATION AND ACTIVITIES

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

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

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

In order to comply with the new finance regulations, the Company filed an application with Saudi Arabian Monetary Authority (SAMA) during 2014. On 29 Safar 1438H (corresponding to 29 November 2016), the Company received the license from SAMA to undertake finance leasing and small and medium enterprises (SME) financing in the Kingdom of Saudi Arabia under license number 46/AU/201611.

As at the date of theses financial statements, the Company is yet to start its leasing operations.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Basis of preparation

As per the Bye Laws of the Company, the first financial statements of the Company are prepared for the period from 24 May 2016, being date of the ministerial resolution, to 31 December 2016. The Company's first financial period commenced on the date of ministerial resolution and is upto 31 December 2016 (the 'period').

The financial statements are prepared under the historical cost convention.

2.2 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ("IASB") as required by the Implementing Regulation of the Finance Companies Control Law, Regulations for Companies and the Company's bye-laws.

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

2.3 Significant accounting Judgments, estimates and assumptions

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

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

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

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.3 Significant accounting Judgments, estimates and assumptions (continued)

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

2.4 New and amended accounting standards and interpretations

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

Standard, amendment or interpretation		Effective for annual periods beginning on or after
New standards		
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS 16	Leases	1 January 2019
Amendments to existing standards		
IAS 1	Presentation of Financial Statements	1 January 2016
IAS 16	Property, Plant and Equipment	1 January 2016
IAS 19	Employee Benefits	1 January 2016
IAS 27	Separate Financial Statements	1 January 2016
IAS 28	Investments in Associates	1 January 2016
IAS 34	Interim Financial Reporting	1 January 2016
IAS 38	Intangible Assets	1 January 2016
IAS 41	Agriculture	1 January 2016
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
IFRS 10	Consolidated Financial Statements	1 January 2016
IFRS 11	Joint Arrangements	1 January 2016
IFRS 12	Disclosure of Interests in Other Entities	1 January 2016
IAS 7	Statement of Cash Flows	1 January 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fair value measurement

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

Finance charge and income

Finance charge and income is recognized on an accrual basis using the effective yield basis.

Expenses

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

Zakat

The Company is subject to the Regulations of the General Authority of Zakat and Tax ("GAZT) in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved at which time the provision is cleared.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Leasehold assets are depreciated on a straight line basis over the shorter of the useful life of the assets or the term of the lease after deducting the estimated residual value from the cost of such assets. The following rates of depreciation are applied to the principal classes of assets:

Leasehold improvements	25%
Furniture, fixtures and office equipment	10%
Computer equipment	33.33%

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

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

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

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Intangible asset is being amortized over a useful life using the straight-line method.

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

Impairment of non-current assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

Impairment losses of continuing operations are recognised in the statement of comprehensive income if those expense categories are consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement
The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, directly attributable transaction costs, if any.

Financial assets comprises of cash and bank balances and other receivables and are initially measured at fair value and thereafter stated at cost or amortized cost as reduced by impairment, if any.

Subsequent measurement
For purposes of subsequent measurement financial assets are mainly classified as loans and receivables.

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

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

ii) Financial liabilities

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

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

Subsequent measurement
Financial liabilities are subsequently recognized for amounts to be paid in the future for services received, whether billed by the supplier or not.

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

iii) Offsetting

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Employees' terminal benefits
It represents end-of-service benefits ("Employees' terminal benefits") under defined unfunded benefit plan. End-of-service benefits, as required by Saudi Arabia Labor Law, are required to be provided based on the employees' length of service.

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

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

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

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

4 GENERAL AND ADMINISTRATIVE EXPENSES

	For the period from 24 May 2016 to 31 December 2016 *SR*
Salaries and related cost	**2,071,854**
Professional charges	**321,000**
Depreciation and amortisation (note 9 and 10)	**136,553**
Rent	**129,750**
Others	**274,332**
	2,933,489

5 FINANCE CHARGES

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

6 ZAKAT

The Company has not completed a twelve month fiscal period as at 31 December 2016, therefore, no zakat is payable by the Company. Accordingly, no provision for zakat has been made in these financial statements.

7 CASH AND CASH EQUIVALENTS

	31 December 2016 SR
Cash and bank balances	**42,272,632**
Short term deposits	**50,205,556**
	92,478,188

Short term deposits are unsecured, carry commercial rate of yield and are with an original maturity of 3 months from the date of placement

8 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2016 SR
Prepaid expenses	**1,268,352**
Advance to a supplier	**371,500**
Others	**43,625**
	1,683,477

9 PROPERTY AND EQUIPMENT

	Leasehold improvements SR	*Furniture fixtures and office equipment SR*	*Computer equipment SR*	***Total 2016 SR***
Cost:				
Additions during the period	134,700	256,959	119,260	**510,919**
Accumulated depreciation:				
Charge for the period	5,612	4,201	6,006	**15,819**
Net book value at 31 December 2016	**129,088**	**252,758**	**113,254**	**495,100**

10 INTANGIBLES

	31 December 2016 SR
Cost:	
Addition during the period	**5,070,797**
Accumulated Amortization:	
Charge for the period	**120,733**
Net book value at 31 December 2016	**4,950,064**

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

11 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Related Party	**Nature of transaction**	*For the period from 24 May 2016 to 31 December 2016*
Ultimate Parent	Reimbursement of commission on bank guarantee	**5,001,000**
	Allocation of cost incurred for purchase of software	**5,070,797**
	Proceeds from issue of share capital	**1,000,000**
Shareholders	Proceeds from issue of share capital	**99,000,000**

ii) Due to a related party represents the balance payable to Taajeer Holding Group (formerly Taajeer Company For Machinery, Real Estate and Vehicles Trading).

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

	For the period from 24 May 2016 to 31 December 2016 SR
Key management remuneration	**994,307**
Employees' terminal benefits	**32,978**
	1,027,285

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

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The Company is a subsidiary of Al Ahdaf Al Mumaizah Company Limited (formerly Al Taajeer Finance Limited) (the "Parent Company"). The ultimate parent of the Company is Taajeer Holding Group (formerly Taajeer Company For Machinery, Real Estate and Vehicles Trading). The Company, the Parent Company and the Ultimate Parent are wholly owned by Saudi shareholders.

12 ACCRUED AND OTHER LIABILITIES

	31 December 2016 SR
Accrued expenses	**326,780**
Advance from customers	**105,154**
	431,934

13 SHARE CAPITAL

The share capital of the Company is divided into 10,000,000 shares of SR 10 each. As at 31 December 2016, the share capital is owned as follows:

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

14 OPERATING LEASE ARRANGEMENTS

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

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Yield rate risk
Yield rate risk arises from the possibility that changes in yield rates will affect the value of the financial instruments and the resultant cash flows. The Company does not have any yield bearing financial assets or liabilities carried at their fair values. Accordingly, the Company is not exposed to fair value yield risk. However, the Company is exposed to yield rate cash flow risk mainly from it short-term deposits.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Yield rate risk (continued)
The following table demonstrates the sensitivity to a reasonably possible change in interest rates on short term deposits. With all other variables held constant, the Company's loss is affected by the impact on floating rate short term deposits, as follows:

	Increase / (decrease) in basis points	*Effect on loss for the period SR*
31 December 2016		
SR	**10**	**50,000**
SR	**(10)**	**(50,000)**

Yield rate sensitivity of assets, liabilities and off statement of financial position items
The Company is exposed to yield rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Company manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market yield rates on its financial position and cash flows. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies. As at 31 December 2016, except for short term deposits of SR 50,205,556, all of the assets and liabilities are non-interest bearing.

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

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

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its net funding requirements to meet its financial liabilities.

As of the statement of financial position date, the Company's financial liabilities primarily consist of due to related parties and accrued and other liabilities. A significant portion of these financial liabilities is expected to be settled within 12 months from reporting date. The Company hold adequate liquid assets to pay off the liabilities as they fall due.

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

b) Maturity analysis of assets and liabilities as per management estimation

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

	Fixed maturity				
31 December 2016	*Within 1 year SR*	*1 to 5 years SR*	*Over 5 years SR*	*No fixed maturity SR*	*Total SR*
Assets					
Cash and bank balances	50,205,556	-	-	42,272,632	**92,478,188**
Prepayments and other receivables	1,060,692	622,785	-	-	**1,683,477**
Property and equipment	-	-	-	495,100	**495,100**
Intangibles	-	-	-	4,950,064	**4,950,064**
Total assets	**51,266,248**	**622,785**	-	**47,717,796**	**99,606,829**
Liabilities					
Due to a related party	6,530,313	-	-	-	**6,530,313**
Accrued and other liabilities	321,585	-	-	110,349	**431,934**
Employees' terminal benefits	-	-	-	50,226	**50,226**
Total liabilities	**6,851,898**	-	-	**160,575**	**7,012,473**

15 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and concentration of credit risk

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

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

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

Capital Management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies or processes for managing capital during the period ended 31 December 2016.

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances and other receivables. Its financial liabilities consist of due to a related party and accrued and other liabilities.

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

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

17 BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on 9 February 2017 (corresponding to 12 Jumada I 1438H).