

**Al Yusr Leasing and Financing Company
(Closed Joint Stock Company)
Riyadh - Saudi Arabia
Financial Statements and Independent Auditors' Report
For the year ended 31 December 2017**

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Independent auditors' report to the shareholders of Al Yusr Leasing and Financing Company (A Saudi Closed Joint Stock Company)

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of Al Yusr Leasing and Financing Company (the "Company"), which comprise the statement of financial position as at December 31, 2017, and the statement of profit and loss, statement of other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and summary of significant accounting policies and other explanatory notes from 1 to 31.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position as at 31 December, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as modified by Saudi Arabian Monetary Authority ("SAMA") for zakat and income tax.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

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

Other Matter

The financial statements of the Company for the year ended 31 December, 2016 were audited by another auditor who expressed an unqualified opinion on those statements on 28 February, 2017.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

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Independent auditors' report to the shareholders of Al Yusr Leasing and Financing Company (A Saudi Closed Joint Stock Company) (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

PKF Al-Bassam & Co.
Allied Accountants

Ibrahim A. Al-Bassam
Certified Public Accountant
Registration No. 337



4 March 2018
16 Jumada Al-Thani 1439H

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Al Yusr Leasing and Financing Company
(Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 DECEMBER, 2017
(All amounts in Saudi Riyals)

	Note	2017	2016
ASSETS			
Cash and cash equivalents	4	180,552,688	96,559,984
Prepayments and other receivables	5	214,964,755	225,637,435
Due from related parties	6	4,838,245	9,156,048
Net investment in islamic financing	7	3,227,705,358	3,376,453,416
Margin deposits - restricted	9	237,126,902	222,675,647
Property and equipment, net	10	9,742,018	12,775,421
Intangibles, net	11	4,033,254	5,217,089
TOTAL ASSETS		<u><u>3,878,963,220</u></u>	<u><u>3,948,475,040</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	500,000,000	500,000,000
Statutory reserve	13	94,915,243	88,500,556
Retained earnings		597,670,346	547,407,992
Actuarial loss on post-employment benefits	14	<u>(7,442,205)</u>	<u>(5,512,205)</u>
TOTAL EQUITY		1,185,143,384	1,130,396,343
LIABILITIES			
Trade payables	15	181,356,522	357,882,967
Other payables and accruals	16	133,499,944	170,164,049
Due to related parties	6	342,786,465	421,412,663
Net servicing liability for factorized receivables	8	313,614,015	305,275,408
Provision for Zakat	17	89,490,082	85,349,432
Borrowings	18	1,605,877,146	1,453,804,178
Employees' post-employment benefits	14	<u>27,195,662</u>	<u>24,190,000</u>
TOTAL LIABILITIES		<u>2,693,819,836</u>	<u>2,818,078,697</u>
TOTAL EQUITY AND LIABILITIES		<u><u>3,878,963,220</u></u>	<u><u>3,948,475,040</u></u>
Contingencies and commitments	20		

The annexed notes 1 to 31 form an integral part of these financial statements.

Al Yusr Leasing and Financing Company
(Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER, 2017
(All amounts in Saudi Riyals)

	Note	2017	2016 (Restated)*
INCOME FROM ISLAMIC FINANCING	21	373,644,879	325,323,823
OPERATING EXPENSES			
Financial charges	22	(111,515,873)	(74,178,701)
Provision for impairment losses	23	(64,200,479)	(47,974,225)
Selling and marketing expenses	24	(1,314,754)	(2,458,496)
General and administrative expenses	25	<u>(161,178,650)</u>	<u>(160,829,082)</u>
NET OPERATING INCOME		35,435,123	39,883,319
Other Income	26	28,711,744	34,996,225
PROFIT FOR THE YEAR		<u>64,146,867</u>	<u>74,879,544</u>
Earnings per share - basic and diluted	27	<u>1.28</u>	<u>1.50</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

*Please refer note 30 for restatement / reclassification of prior period figures.

Al Yusr Leasing and Financing Company
(Closed Joint Stock Company)
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER, 2017
(All amounts in Saudi Riyals)

	Note	2017	2016
Profit for the year		64,146,867	74,879,544
OTHER COMPREHENSIVE LOSS			
<i>Items that may be reclassified subsequently to profit and loss</i>			
<i>Items that will not be reclassified to profit and loss</i>			
Actuarial loss on post employment benefits	14	(1,930,000)	(5,512,205)
Total other comprehensive loss for the year		(1,930,000)	(5,512,205)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		62,216,867	69,367,339

The annexed notes 1 to 31 form an integral part of these financial statements.

Al Yusr Leasing and Financing Company
(Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2017
(All amounts in Saudi Riyals)

	Share capital	Statutory reserve	Retained Earnings	Actuarial loss on post-employment benefits	Total equity
Balance as at 1 January, 2016	500,000,000	81,012,602	480,016,402	-	1,061,029,004
Profit for the year	-	-	74,879,544	-	74,879,544
Other comprehensive income	-	-	-	(5,512,205)	(5,512,205)
Total comprehensive income for the year ended 31 December, 2016	-	-	74,879,544	(5,512,205)	69,367,339
Transfer to statutory reserve	-	7,487,954	(7,487,954)	-	-
Zakat charge for the year	-	-	-	-	-
Balance as at 31 December, 2016	500,000,000	88,500,556	547,407,992	(5,512,205)	1,130,396,343
Profit for the year	-	-	64,146,867	-	64,146,867
Other comprehensive income	-	-	-	(1,930,000)	(1,930,000)
Total comprehensive income for the year ended 31 December, 2017	-	-	64,146,867	(1,930,000)	62,216,867
Transfer to statutory reserve	-	6,414,687	(6,414,687)	-	-
Zakat charge for the year	-	-	(7,469,826)	-	(7,469,826)
Balance as at 31 December, 2017	500,000,000	94,915,243	597,670,346	(7,442,205)	1,185,143,384

The annexed notes 1 to 31 form an integral part of these financial statements.

Al Yusr Leasing and Financing Company
(Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER, 2017
(All amounts in Saudi Riyals)

	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT FOR THE YEAR		64,146,867	74,879,544
Adjustments for:			
Depreciation	25	3,755,683	3,415,241
Amortization	25	1,368,935	1,359,446
Provision for impairment losses		88,753,183	223,259,345
Loss on disposal of property and equipment		8,300	-
Changes in provision in fair value of margin deposits		5,744,450	6,598,922
Employees terminal benefits	14.1	4,281,914	4,801,069
		168,059,332	314,313,567
(Increase) / decrease in operating assets			
Prepayments and other receivables		10,672,680	(65,256,001)
Net investment in islamic financing		48,421,768	(251,186,916)
Margin deposits - restricted		(8,622,598)	(66,024,404)
Due from related parties		4,317,803	(7,027,216)
		54,789,653	(389,494,537)
Increase / (decrease) in operating liabilities			
Trade payables		(176,526,445)	(2,107,002)
Other payables and accruals		(36,664,105)	(114,825,909)
Due to related parties		(78,626,198)	421,412,663
Net servicing liability for factorized receivables		8,338,607	145,402,274
		(283,478,141)	449,882,026
Zakat and income tax paid		(3,329,176)	(7,299,123)
Post-employment benefits paid		(3,206,252)	(919,470)
		(6,535,428)	(8,218,593)
Net cash (used in) / generated from operating activities		(67,164,584)	366,482,463
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(730,580)	(3,459,949)
Purchase of intangible assets		(185,100)	(547,515)
Net cash used in Investing activities		(915,680)	(4,007,464)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from medium term borrowings		1,447,494,938	1,696,948,508
Repayment of medium term borrowings		(1,295,421,970)	(2,118,884,712)
Net cash generated from / (used in) financing activities		152,072,968	(421,936,204)
Net increase / (decrease) in cash and cash equivalents		83,992,704	(59,461,205)
Cash and cash equivalents at beginning of the year		96,559,984	156,021,189
Cash and cash equivalents at end of the year	4	180,552,688	96,559,984

The annexed notes 1 to 31 form an integral part of these financial statements.

Al Yusr Leasing and Financing Company
(Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017
(All amounts in Saudi Riyals)

1 LEGAL STATUS AND OPERATIONS

Al Yusr Leasing and Financing Company (the "Company") is a closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia having commercial registration number 1010192058, dated 20 Shawal, 1424H (corresponding to 14 December 2003G). On 27 Rabi' II, 1435H (corresponding to 28 February 2014G), the Company received a license from the Saudi Arabian Monetary Agency ("SAMA") to conduct lease financing business in the Kingdom of Saudi Arabia. The Finance Companies Control Law was issued by the Saudi Council of Ministers through its publication No. 259 dated 12 Shabaan 1433H (corresponding to 2 July 2012) and the Royal Decree No. 51 dated 13 Shabaan 1433H (corresponding to 3 July 2012) and their implementing regulations were issued by SAMA for conducting lease financing business in the Kingdom of Saudi Arabia.

1.1 The objectives of the Company are to engage in finance leasing of projects in the industrial, transportation, agriculture, trading sectors and other skilled professions along with finance leasing of fixed and moveable assets including but not limited to production equipment, machinery, medical equipment, building equipment, transportation equipment, all kinds of vehicles, office equipment and computers.

1.2 The Company's Head Office is located at the following address;
 Al Yusr Leasing and Financing Company
 Sitteen Star Building
 Shahrah Salah Uddin Ayubi Street, Al Malaz
 P.O. Box 25773
 Riyadh 11476
 Kingdom of Saudi Arabia

1.3 The Company has the following branches:

S.No	Branch	C.R. No.	Date
1	Riyadh-Salaheddin Road	1010404014	09/04/1435H
2	Riyadh-Dammam Road	1010404025	09/04/1435H
3	Riyadh-Exit 5	1010404022	09/04/1435H
4	Riyadh-Exit 10	1010404068	09/04/1435H
5	Riyadh-Exit 25	1010404018	09/04/1435H
6	Riyadh-Khuraish Road	1010404065	09/04/1435H
7	Riyadh-Badeah	1010404067	09/04/1435H
8	Riyadh-Mansourah	1010429749	24/03/1436H
9	Hafr Al Baten	2511020230	12/11/1434H
10	Burayadah	1131019476	18/10/1425H
11	Oniza	1128017776	13/04/1435H
12	Hail	3350037814	25/02/1434H
13	Sekaka	3400017706	13/04/1435H
14	Tabouk	3550033063	05/04/1435H
15	Dammam	2050098038	11/04/1435H
16	Al Khobar	2051028846	20/11/1424H
17	Al Qateef	2053022257	10/11/1431H
18	Al-Jubail	2055021890	11/04/1435H
19	Al Ihsaa	2252034974	12/05/1428H
20	Jeddah- Rowda Road	4030170831	22/06/1428H
21	Jeddah-Al Jawahra	4030283344	04/04/1436H
22	Makkah	4031060371	01/11/1431H
23	Yanbou	4700017653	02/06/1435H
24	Madinah Monawarah-Aziziah	4650055494	02/05/1433H
25	Khamis Mshait	5855044025	24/06/1433H
26	Jazan	5900027559	17/04/1435H

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as modified by SAMA for zakat and income tax.

**Al Yusr Leasing and Financing Company
(Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017
(All amounts in Saudi Riyals)**

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.3 Functional and presentation currency

These financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency. All financial information presented in Saudi Arabian Riyals has been rounded to the nearest Riyal, unless otherwise mentioned.

2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS as modified by SAMA for zakat and income tax, require management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

2.4.1 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.

2.4.2 Determination of servicing assets / liabilities

The Company enters into factorization and agency arrangements with banks. Under these arrangements, the Company has been appointed by the banks to service the receivables purchased by the banks. Assumptions used to calculate the servicing assets / liability are based on estimates of collection costs to be incurred by the Company over the life of the individual factorization and agency transaction, executed under the respective factorization and agency agreement.

2.4.3 Determination of discount rate for present value calculations

Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the tenure of the agreement and the individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Company.

2.4.4 Actuarial valuation of employee benefits liabilities

The cost of the end-of-service ("employee benefits") under defined unfunded benefit plan is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation and its long-term nature, a defined unfunded benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required.

2.4.5 Impairment of net investment in Islamic financing

An estimate of the collectible amount of Islamic financing receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the statement of profit or loss of those periods.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set forth below. These accounting policies have been applied consistently to all the years presented, except as disclosed under note 3.1.

3.1 Change in accounting policy in relation to accounting for zakat and income tax

The Company amended its accounting policy relating to zakat and tax and have started to charge it directly to retained earnings with a corresponding liability recognized in the statement of financial position. Previously, zakat and tax was charged to the statement of profit or loss with a corresponding liability recognized in the statement of financial position. The Company has accounted for this change in the accounting policy relating to zakat and tax retrospectively and the effects of the above change are disclosed in note 30 to the financial statements.

3.2 Amendments in existing standards

The adoption of the following amendments to existing standard mentioned below which had no significant financial impact on the financial statements of the Company on the current period or prior period and is expected to have no significant effect in future periods:

3.2.1 IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

3.2.2 Recognition of Deferred Tax Assets for Unrealized Losses - Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

3.3 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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. Cost incurred to replace a component of an item of property and equipment is capitalized and the asset so replaced is retired from use. All other repairs and maintenance expenditure are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged using the straight-line method over its estimated useful life as mentioned below, after taking into account residual value.

Furniture and fixtures	20%
Tools and equipment	20%
Computers software	25%
Leasehold improvements	20%

Depreciation on additions is charged from the month the assets are available for use. No depreciation is charged in the month of disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains / losses on disposal of fixed assets, if any, are taken to the profit and loss account in the period in which they arise.

Assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each balance sheet date.

**Al Yusr Leasing and Financing Company
(Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2017
(All amounts in Saudi Riyals)**

Impairment in assets' value

At each statement of financial position date, the carrying amounts of tangible assets are reviewed regularly to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the assets or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense in the statement of profit or loss immediately.

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 so that the increased carrying amount does 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 period. The reversal of an impairment loss is recognized in the statement of profit or loss immediately.

3.4 Intangibles

Intangible assets having definite lives are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged as disclosed in note 11 applying the straight-line method over the useful lives of the assets. Amortization is charged from the month in which the asset is available for use, while no amortization is charged for the month in which the asset is disposed off. The residual values and 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 profit and loss account in the period in which they arise.

3.5 Asset acquired in satisfaction of claim

The Company in the ordinary course of its business, acquires certain vehicles and other assets against settlement of Islamic financings. Such assets are considered as assets held for sale and are initially recorded at the lower of the net realizable value of related Islamic financings or the current fair value of the related assets, less any cost to sell.

Subsequent to the initial recognition, these assets owned are periodically revalued and are carried at lower of their carrying values or the related net realizable value. Rental income, realized gain or losses on disposal and unrealized losses on evaluation are credited or charged to the comprehensive income/loss.

3.6 Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires.

On derecognition of a financial asset or financial liability, the difference between the carrying amount and the consideration received (and receivable) or paid (and payable) is recognized in the statement of profit or loss.

3.6.1 Financial assets

a) Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, Islamic financing, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Management determines the classification of the financial asset at the time of initial recognition.

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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Murabaha receivables

Murabaha is an agreement whereby the Company sells to a customer an asset, which the Company has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Murabaha sale contracts include the total of future sale payments on the Murabaha agreement (Murabaha sale contract receivable). The difference between the Murabaha sale contracts receivable and the cost of the sold asset, is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the Murabaha sale contracts receivable.

Ijara receivables

Ijara finance is an agreement wherein gross amounts due under originated Ijara (finance) includes the total of future payments on Ijara finance, plus estimated residual amounts receivable by an option to purchase the asset at the end of the respective lease term. The difference between the Ijara contracts receivable and the cost of the Ijara assets is recorded as unearned Ijara finance income and for presentation purposes, is deducted from the gross amounts due under Ijara finance.

b) Subsequent measurement

Islamic financing assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, Islamic financing assets are measured at amortized cost using the effective interest rate method, less any impairment. Restructured/ rescheduled receivables are recorded at revised terms and conditions as approved by the management. Restructuring policies and practices are based on indicators or criteria which, indicate that payment will most likely continue.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs. Transaction costs relating to Islamic financing is amortized over the period of financing.

c) Derecognition of financial assets

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

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

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

Net servicing asset / liability for factorized receivables

When the Company has transferred its contractual right to receive cash flows from an asset but has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement takes the form of a guarantee over the transferred assets, which was provided by the Company to banks. This guarantee represents the blocked margin deposits or bank guarantees provided to the banks, as the case may be, till the end of the agreements.

Where the Company is appointed to service the derecognized financial asset for a fee, the Company recognizes either a net servicing asset or a net servicing liability for that servicing contract. If the fee to be received is not expected to compensate the Company adequately for performing the service, a net servicing liability for the servicing obligation is recognized at its fair value. If the fee to be received is expected to be more than adequate compensation for the services to be provided, a servicing asset is recognized for the servicing right. The total amount of such net servicing assets has been classified separately under 'assets' in these financial statements.

The Company's net servicing assets and related liabilities are calculated separately for each agreement by calculating the present value of servicing assets, as per the terms of the agreements, and by estimating the present value of servicing liabilities and related provisions. The discount rate used is the rate agreed as per the terms of the respective securitization agreement. The change in present values of servicing assets, servicing liabilities and related provisions will be reassessed at each period end and the impact, if any, will be taken to the statement of profit or loss.

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Net servicing asset / liability for factorized receivables (continued)

Following initial recognition, net servicing assets, being intangibles assets, are carried at cost less any accumulated amortization and any accumulated impairment losses.

Net servicing assets are amortized over their definite useful economic life (in conformity with the collection arrangements with the banks or private investors) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization of net servicing asset is charged to the statement of profit or loss.

d) Impairment of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statement of profit or loss. Impairment is determined as follows:

- 1 for assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of profit or loss;
- 2 for assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and,
- 3 for assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

3.6.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of borrowings, net of directly attributable transaction costs.

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

b) Subsequent measurement

The measurement of financial liabilities depends on their classification as financial liabilities at fair value through profit or loss or amortized cost.

The Company has not designated any financial liability as fair value through profit or loss.

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

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

c) Derecognition of financial liability

A financial liability is derecognized 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 recognized in the statement of profit or loss.

3.6.3 Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, commission rate futures, forward rate agreements, currency and commission rate swaps, currency and commission rate options (both written and purchased) are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value in the statement of financial position with transaction costs recognized in the statement of income. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate.

The treatment of changes in their fair value depends on their classification into the following categories:

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Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in net trading income. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting.

3.7 Fair value management

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:

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

Fair value management (continued)

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:

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

3.8 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are set-off and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set-off and the Company intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements.

3.9 Regular way contracts

All "regular way" purchases and sales of financial assets are recognized on trade date, i.e. the date on which the asset is delivered to or by the Company.

3.10 Borrowings

Borrowings are initially recognized at cost being the fair value of consideration received together with the associated transaction costs. Subsequently, these are carried at amortized cost using the effective interest rate method.

Transaction costs relating to borrowings are being amortized over the period of agreement using the effective interest rate method.

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3.11 Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at exchange rates prevailing at the date of transaction and the resulting gain / loss recognized in the statement of profit or loss. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the statement of financial position date. Gains and losses on translation are taken to statement of profit or loss currently except for difference arising on translation of equity accounted associates which are recognized directly in equity through other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

3.12 Provisions for non financial assets

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

3.13 Proposed dividend and transfer between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of International Accounting Standard (IAS) 10, 'Events after the Reporting Period' in the year in which they are approved / transfers are made.

3.14 Revenue recognition

Income from islamic financing is recognized in the statement of profit or loss using the effective yield method, using the applicable Effective Profit Rate "EPR", on the outstanding balance over the term of the contract.

The calculation of EPR includes transaction costs and fees and commission income received that are an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial assets.

Income from factorization and agency arrangements represents gains or losses on de-recognition of financial assets including income on amortization of net servicing asset.

Origination fees charged in respect of processing and other services are recognized as income over the period of the financing agreement.

3.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks including bank overdrafts and investments with original maturity of less than three months from the contract date.

3.16 Post-employment benefits

This represents end of service benefits plan.

Employees' end-of-service benefits as required by Saudi Arabian Labor Law are required to be provided based on the employees' length of service.

The Company's net obligations in respect of defined unfunded benefit plans (End-of-service-benefits) ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs. The discount rate used is the market yield on government bonds at the reporting date that have maturity dates approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation.

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Post-employment benefits (continued)

The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognized and any unrecognized actuarial gains/losses. Currently there are no past service costs. There are also no unrecognized re-measurement gains and losses as the entire re-measurement gains and losses are recognized as income or expense in the statement of other comprehensive income during the year in which they arise.

3.17 Impairment on non financial assets

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

3.18 Selling and marketing expenses

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

3.19 Contingent liabilities

The Company receives legal claims through its normal cycle. Management has to make estimates and judgments about the possibility to set aside a provision to meet claims. The end of the legal claims date and the amount to be paid is uncertain. The timing and costs of legal claims depends on the statutory procedures.

3.20 Commitments

3.20.1 Lease arrangements where the Company is a lessee

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 payable are charged to the statement of profit or loss on a straight line basis.

4 Cash and cash equivalents

	2017	2016
Cash at banks	180,552,688	96,559,984
	<u>180,552,688</u>	<u>96,559,984</u>

In addition to the above, as at 31 December 2017, the company also has restricted cash deposits amounting to SR 365,005,260 (2016: SR 354,928,164) against receivables factorized with the banks as required under certain factorization and agency agreements.

5 Prepayments and other receivables

	2017	2016
Advance to suppliers - unsecured	5,432,235	6,248,419
Prepaid rent	4,598,126	5,022,767
Prepaid insurance	40,927,284	41,388,868
Advances to staff	2,340,695	1,303,654
Claims receivable	25,708,853	64,284,213
Bank guarantee (Note 17.3)	72,623,212	72,623,212
Advance payments, net	40,249,915	-
Others	23,084,435	34,766,302
	<u>214,964,755</u>	<u>225,637,435</u>

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6 RELATED PARTY TRANSACTIONS

The following shall be deemed to be a related party:

- Any member of the Board of Directors or Board committees;
- Any member of senior management;
- Any person directly or indirectly holds or controls five percent or more of the capital or voting rights of a finance company, and any entity in which such person directly or indirectly holds or controls five percent or more of the entity's capital or voting rights;
- Any person directly or indirectly holds or controls five percent or more of any type of securities that entitles their holders to receive dividends or a share of the finance company's income;
- Any entity in which the finance company directly or indirectly holds or controls five percent or more of the stocks or voting rights; and
- Any ascendant or descendant up to the second degree, or spouse of any of the persons listed.

Transactions during the year	2017	2016
Affiliates		
Nature of transactions		
Asset purchases for islamic financing	667,957,838	806,128,266
Parent Company		
Nature of transactions		
Rent and premises related transactions	9,793,226	6,918,697
Key management personnel		
Salaries and other short-term employee benefits	4,594,875	7,019,786
Directors' meeting attendance fee	1,877,000	948,000
Balances as at year end		
Due from related parties		
Abdullatif Alissa Group Holding Company (Parent Company)	2,669,634	7,911,888
Best Trading Company (Affiliate)	657,147	566,431
Auto Express Company (Affiliate)	354,109	168,912
Auto Spare Parts Company (Affiliate)	1,038,743	455,331
Alissa Investment Company (Affiliate)	2,594	2,594
National Automotive Trading Company (Affiliate)	116,018	42,575
Alissa Real Estate Company (Affiliate)	-	8,317
	<u>4,838,245</u>	<u>9,156,048</u>
Due to related parties		
General Automotive Company (Affiliate)	137,661,729	333,682,637
Abdullatif Alissa Automotive Company (Affiliate)	158,862,493	78,384,782
Alissa Universal Motor Company (Affiliate)	46,214,230	9,345,244
Alissa Real Estate Company (Affiliate)	48,013	-
	<u>342,786,465</u>	<u>421,412,663</u>
Key management personnel		
Advance to key management of the Company	724,404	313,538
Directors' meeting attendance fee payable	1,000,000	900,000

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7 NET INVESTMENT IN ISLAMIC FINANCING

	Murabaha		Ijara		Total	
	2017	2016	2017	2016	2017	2016
Gross investment in islamic financing	1,565,858,501	1,423,539,235	2,747,944,058	3,034,419,623	4,313,802,559	4,457,958,858
Unearned islamic financing income	(214,641,991)	(165,079,267)	(619,079,486)	(802,051,639)	(833,721,477)	(967,130,906)
Impairment on islamic financing (Note 28.3.1)	1,351,216,510	1,258,459,968	2,128,864,572	2,232,367,984	3,480,081,082	3,490,827,952
Net investment in islamic financing	(107,922,052)	(24,192,717)	(144,453,672)	(90,181,819)	(252,375,724)	(114,374,536)
Current portion	1,243,294,458	1,234,267,251	1,984,410,900	2,142,186,165	3,227,705,358	3,376,453,416
Non-current portion	(784,673,510)	(815,418,768)	(767,112,566)	(731,338,113)	(1,551,786,076)	(1,546,756,881)
	458,620,948	418,848,483	1,217,298,334	1,410,848,052	1,675,919,282	1,829,696,535

7.1 The maturity of the gross investment in islamic financing referred as "GIIF" and present value of gross investment in islamic financing referred as "PV of GIIF" is as follows:

	2017		2016	
	GIIF	PV of GIIF	GIIF	PV of GIIF
Not later than one year	2,062,454,818	1,676,034,284	2,048,174,300	1,595,672,921
Later than one year but not later than five years	2,251,347,741	1,804,046,798	2,409,784,558	1,895,155,031
	4,313,802,559	3,480,081,082	4,457,958,858	3,490,827,952

7.2 Gross investment in islamic financing include an amount of SR 12 million (2016: SR 19 million) due from related parties.

7.3 The Company in ordinary course of its business, holds collateral in respect of the islamic financing (being the title of assets leased out) in order to mitigate the credit risk associated with them. These collaterals are not readily convertible into cash and are intended to be repossessed and disposed of in case the customer defaults.

7.4 The movement in impairment of islamic financing is as follows:

	2017	2016
Balance at the beginning of the year	114,374,536	101,653,975
Provided during the year (Note 23)	100,326,290	77,383,150
Write offs reversed / (booked) during the year	37,674,898	(64,662,589)
Balance at the end of the year	252,375,724	114,374,536

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8 NET SERVICING ASSET / LIABILITY FOR FACTORIZED RECEIVABLES

Assumptions and their sensitivity involved in the calculation of net servicing assets / liability.

Under the factorization and agency agreements, the Company has been appointed by the banks to service the purchased receivables. Where the Company is appointed to service the derecognized financial assets for a fee, the Company initially recognizes either a net servicing asset or a net servicing liability for that servicing contract at its fair value.

The fair value of net servicing asset / liability is determined based on the present value of estimated future cash flows related to contractually specified servicing fees less servicing costs. The primary determinants of the fair value of net servicing asset / liability are discount rates, estimates of servicing costs and the fixed servicing fees.

Discount rates

Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the expectation of investor's return and the individual risks of the underlying assets. Such discount rate, which ranges from 4.55% to 6.25% (2016: 3.61% to 6.17%), is adjusted for defaults and prepayments rates based on publicly available market data.

Servicing costs

The management assesses the cost of servicing including salaries and other direct costs. The annual change in the servicing cost represents the increment to the servicing cost as a result of inflation. Also, the calculation of discount rate and servicing cost is sensitive to expected default rate and prepayment risk, which are expected to be minimal.

Variations in one or a combination of these assumptions could materially affect the estimated values of net servicing assets. Evaluation of impairment is performed on a quarterly basis taking into consideration historical trends, past experience and forecasts of defaults and prepayments.

9 MARGIN DEPOSITS - RESTRICTED

Margin deposits with banks, net as of 31 December 2017 comprises of the followings:

	2017		
	Current	Non-current	Total
Margin deposits with banks	150,048,191	214,957,069	365,005,260
Less: Provision against expected defaults in respect of factorized receivables	(42,317,584)	(60,623,615)	(102,941,199)
Less: Provision in respect of fair value of margin deposit	(10,251,292)	(14,685,867)	(24,937,159)
As of 31 December 2017	<u>97,479,315</u>	<u>139,647,587</u>	<u>237,126,902</u>
	2016		
	Current	Non-current	Total
Margin deposits with banks	93,637,835	261,290,329	354,928,164
Less: Provision against expected defaults in respect of factorized receivables	(29,827,658)	(83,232,150)	(113,059,808)
Less: Provision in respect of fair value of margin deposit	(5,063,457)	(14,129,252)	(19,192,709)
As of 31 December 2016	<u>58,746,720</u>	<u>163,928,927</u>	<u>222,675,647</u>

9.1 Movement in the provision against expected defaults in respect of factorized receivables for the year ended 31 December 2017 is as follows:

	2017	2016
Balance at the beginning of the year	113,059,808	76,031,807
Provided during the year	(11,573,107)	145,876,195
Write offs reversed / (booked) during the year	1,454,498	(108,848,194)
Balance at the end of the year	<u>102,941,199</u>	<u>113,059,808</u>

The Company has placed these funds in restricted bank accounts against receivables factorized with the banks as required under certain factorization and agency agreements. This amount represents the maximum liability (against defaulted receivables, if any) of the Company according to the relevant factorization and agency agreements (see Note 19).

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10 PROPERTY AND EQUIPMENT, NET

Description	2017							
	Cost		Accumulated depreciation			Net book value		
	As at 1-Jan-17	Additions / (write-offs)	As at 31-Dec-17	As at 1-Jan-17	Charge for the year / (write-offs)	As at 31-Dec-17	As at 31-Dec-17	Rate
Furniture & fixture	7,340,888	349,536 (5,263)	7,685,161	5,053,348	874,193 (3,365)	5,924,176	1,760,985	20%
Tools & equipment	6,609,299	381,044 (29,135)	6,961,208	4,257,046	933,815 (22,733)	5,168,128	1,793,080	20%
Leasehold improvements	9,738,386	-	9,738,386	1,602,758	1,947,675	3,550,433	6,187,953	20%
	23,688,573	696,182	24,384,755	10,913,152	3,729,585	14,642,737	9,742,018	

Description	2016							
	Cost		Accumulated depreciation			Net book value		
	As at 1-Jan-16	Additions	As at 31-Dec-16	As at 1-Jan-16	Charge for the year	As at 31-Dec-16	As at 31-Dec-16	Rate
Furniture & fixture	6,753,598	587,290	7,340,888	4,175,715	877,633	5,053,348	2,287,540	20%
Tools & equipment	6,057,807	551,492	6,609,299	3,322,196	934,850	4,257,046	2,352,253	20%
Leasehold improvements	7,417,219	2,321,167	9,738,386	-	1,602,758	1,602,758	8,135,628	20%
	20,228,624	3,459,949	23,688,573	7,497,911	3,415,241	10,913,152	12,775,421	

11 INTANGIBLES, NET

Description	2017							
	Cost		Accumulated amortization			Net book value		
	As at 1-Jan-17	Additions	As at 31-Dec-17	As at 1-Jan-17	Charge for the year	As at 31-Dec-17	As at 31-Dec-17	Rate
Computers software	8,698,438	185,100	8,883,538	3,481,349	1,368,935	4,850,284	4,033,254	25%
	8,698,438	185,100	8,883,538	3,481,349	1,368,935	4,850,284	4,033,254	

Description	2016							
	Cost		Accumulated amortization			Net book value		
	As at 1-Jan-16	Additions	As at 31-Dec-16	As at 1-Jan-16	Charge for the year	As at 31-Dec-16	As at 31-Dec-16	Rate
Computers software	8,150,923	547,515	8,698,438	2,121,903	1,359,446	3,481,349	5,217,089	25%
	8,150,923	547,515	8,698,438	2,121,903	1,359,446	3,481,349	5,217,089	

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12 SHARE CAPITAL

The Company's subscribed and paid-in share capital of SR. 500,000,000 is divided into 50,000,000 equity shares of SR. 10 each fully subscribed and paid, and distributed among shareholders as follows:

Shareholders	2017		
	Holding %	No. of Share	Amount
Abdullatif Alissa Group Holding Company ("Parent Company")	99.80%	49,900,000	499,000,000
Gulf Development	0.20%	100,000	1,000,000
Total	100.00%	50,000,000	500,000,000

Shareholders	2016		
	Holding %	No. of Share	Amount
Abdullatif Alissa Group Holding Company ("Parent Company")	99.00%	49,500,000	495,000,000
General Automotive	0.20%	100,000	1,000,000
Abdullatif Alissa	0.20%	100,000	1,000,000
Gulf Development	0.20%	100,000	1,000,000
Durar Universal Company	0.20%	100,000	1,000,000
Banan Universal	0.20%	100,000	1,000,000
Total	100.00%	50,000,000	500,000,000

13 STATUTORY RESERVE

As required by the Company's by-laws, 10% of the income (before zakat and income tax) for the year, has been transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

14 EMPLOYEES' POST EMPLOYMENT BENEFIT

	2017	2016
Present value of employees' post employment benefits	<u>27,195,662</u>	<u>24,190,000</u>

The major financial assumptions used to calculate the employees' post employment benefits liabilities are as follows:

Principal actuarial assumptions

	2017	2016
Discount rate	3.60%	4.20%
General salary increase	5.00%	5.00%

14.1 The movements in employees' post employment benefits recognized in the statement of financial position are as follows:

	2017	2016
Net liability at the beginning of the year	24,190,000	14,796,196
Current service cost	4,281,914	4,801,069
Benefits paid during the year	(3,206,252)	(919,470)
Actuarial losses recognized during the year	1,930,000	5,512,205
Net liability at the end of the year	<u>27,195,662</u>	<u>24,190,000</u>

14.2 The amounts recognized in the statement of profit or loss in respect of employees' post employment benefits are as follows:

	2017	2016
Employer's part of current service cost	<u>4,281,914</u>	<u>4,801,069</u>

14.3 The sensitivity of the employees' post employment benefit to changes in the weighted principal assumptions is:

	Change in assumption	Increase / (decrease) in present value of employees' post employment	
		Amount	%
Discount rate	+1%	25,107,000	-7.68%
	-1%	34,629,000	27.33%
Salary growth rate	+1%	34,496,000	26.84%
	-1%	25,122,000	-7.62%

15 TRADE PAYABLES

These represent non-interest bearing payables against purchase of assets leased by the Company. The average credit period on purchases of assets from certain suppliers is 90 days.

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16 OTHER PAYABLES AND ACCRUALS

	Note	2017	2016
Accrued salaries, wages and benefits		6,043,021	11,156,132
Advances from customers		4,037,916	4,644,979
Accrued finance cost		4,984,227	3,998,870
Advance payments, net		-	52,745,690
Others	16.1	118,434,780	97,618,378
		<u>133,499,944</u>	<u>170,164,049</u>

16.1 In accordance with SAMA's requirement, the Company suspends income on delinquent Islamic financing. As of 31 December 2017, others include such suspended income amounting to SR 82.3 million (31 December 2016: Nil).

17 PROVISION FOR ZAKAT

The movement in provision for Zakat for the year ended 31 December 2017 is as follows:

	2017	2016
Balance at the beginning of the year	85,349,432	92,648,555
Provided during for the year	7,469,826	3,329,176
Reversal of excess Zakat provision	-	(3,329,176)
Payment during the year	(3,329,176)	(7,299,123)
Balance at the end of the year	<u>89,490,082</u>	<u>85,349,432</u>

17.1 Charge for the year

Zakat is payable by the Saudi Shareholders and is calculated based on the higher of Zakat base or the adjusted profit for year.

Computation of Zakat base:	Note	2017	2016
Shareholders' equity at beginning		1,130,396,343	1,061,029,004
Opening provisions and adjustments		264,218,131	136,217,544
Borrowings, net		368,543,381	300,000,000
Net adjusted profit for the year		298,793,024	133,167,043
Net investment in Islamic financing		(2,128,864,572)	(2,232,367,984)
		(66,913,693)	(601,954,393)
Adjusted profit / zakatable income	17.2	<u>298,793,024</u>	<u>133,167,043</u>
Zakat Base		<u>298,793,024</u>	<u>133,167,043</u>
Zakat due @ 2.5%		<u>7,469,826</u>	<u>3,329,176</u>

17.2 Computation for adjusted profit / zakatable income

	2017	2016
Profit for the year	64,146,867	74,879,544
Adjustments:		
Provision for post-employment benefits, net	3,005,662	3,881,599
Other adjustments	231,640,495	54,405,900
Adjusted profit for the year	<u>298,793,024</u>	<u>133,167,043</u>

17.3 The Company has received on 15 February 2015, the Zakat assessments for the years 2004 up to 2012 where GAZT asked the Company to pay additional Zakat of SR. 72,623,212. The Company has filed on 12 October 2016 an appeal for the said due balance and provided a bank guarantee against which cash was blocked with a bank (see Note 5).

The Zakat returns for the years ended 31 December 2013, 2014, 2015 and 2016 have been filed and are currently under review by the GAZT. Accordingly, the Company have obtained a restricted Zakat certificate from GAZT for the year ended December 31, 2017. The Company is in the process of submitting its zakat return for the year ended 31 December, 2017.

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18 BORROWINGS

	Note	2017	2016
Due to banks		28,205,341	49,961,222
Term borrowings	18.1	<u>1,577,671,805</u>	<u>1,403,842,956</u>
		<u>1,605,877,146</u>	<u>1,453,804,178</u>
18.1 Term borrowings			
Current portion		1,209,128,424	757,564,259
Non-current portion		<u>368,543,381</u>	<u>646,278,697</u>
		<u>1,577,671,805</u>	<u>1,403,842,956</u>

18.2 The Company obtained bank facilities in the form of bank overdrafts and term borrowings from local banks for the purpose of financing working capital needs. The outstanding balance as of 31 December, 2017 amounted to SR. 1,605,877,146 (2016: SR.1,453,804,178). These bank facilities bear profit at market prevailing rates.

18.3 These facilities are collateralized against the guarantees of Abdullatif Alissa Group Holding Company ("Parent Company").

19 FACTORIZATION AND AGENCY AGREEMENTS

In accordance with the terms of certain factorization and agency agreements, the Company has factorized financing receivables with the banks.

The Company continues to manage these off statement of financial position islamic financing receivables as a servicer in accordance with the factorization and agency agreements entered into with the banks. The Company is continuing to manage these factorized receivables for an agreed fee which is disclosed as revenue (note 21). These receivables are secured by promissory notes from the customers.

The outstanding position of such off statement of financial position islamic financing receivables is as follows:

	2017	2016
Balance of outstanding receivables relating to factorization	<u>3,174,754,543</u>	<u>3,901,231,626</u>
19.1 The maturity analysis of above outstanding receivables is as follows:		
	2017	2016
Less than one year	<u>1,555,846,274</u>	<u>1,700,919,127</u>
More than one year	<u>1,618,908,269</u>	<u>2,200,312,499</u>
19.2 Overdue accounts settled to the banks	<u>416,675,115</u>	<u>371,219,595</u>
Net income from Factorized receivable	<u>95,262,380</u>	<u>8,423,855</u>

20 CONTINGENCIES AND COMMITMENTS

The Company has the following contingent liabilities and commitments as at 31 December:

	2017	2016
Letters of guarantee issued in favor of GAZT	<u>72,623,212</u>	<u>72,623,212</u>
Payments under operating leases recognized as an expense during the year	<u>9,672,821</u>	<u>8,488,412</u>

Premises rent under operating lease arrangements represent rentals payable by the Company for certain office properties. Leases are negotiated for an average term of one year and rentals are fixed for the same period.

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21 INCOME FROM ISLAMIC FINANCING

	2017	2016
Income from Ijarah	168,875,245	188,229,297
Income from Murabaha	143,005,469	145,375,463
loss on sale of repossessed vehicles	(33,498,215)	(16,704,792)
Net income from factorized receivables	<u>95,262,380</u>	<u>8,423,855</u>
	<u><u>373,644,879</u></u>	<u><u>325,323,823</u></u>

21.1 Income from ijarah is net of insurance expense amounting to SR 110,614,772 (2016: SR 211,734,233).

21.2 Income from factorized receivables is net of insurance expense amounting to SR 73,743,181 (2016: SR 187,764,320).

22 FINANCIAL CHARGES

	2017	2016
Financial charges on bank borrowings	<u>111,515,873</u>	<u>74,178,701</u>

23 PROVISION FOR IMPAIRMENT LOSSES

	2017	2016
Provision for impairment losses	100,326,290	77,383,150
Written off financing receivables recovered	(36,125,811)	(29,408,925)
	<u>64,200,479</u>	<u>47,974,225</u>

24 SELLING AND MARKETING EXPENSES

	2017	2016
Advertising expenses	1,231,607	2,352,558
Promotion expenses	83,147	105,938
	<u>1,314,754</u>	<u>2,458,496</u>

25 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2017	2016
Salaries, wages and other benefits		111,297,794	123,361,665
Rent expense		19,466,047	15,407,109
Legal, professional and consultancy fees		6,151,388	2,181,936
Outsourcing - security & others		5,679,548	3,331,066
Depreciation	10	3,755,683	3,415,241
Telephone and postage		2,555,796	2,202,197
Repair and maintenance		2,498,824	1,592,472
Stationary and printing		1,787,100	1,654,956
Amortization	11	1,368,935	1,359,446
Others		6,617,535	6,322,994
		<u>161,178,650</u>	<u>160,829,082</u>

26 OTHER INCOME

	Note	2017	2016
Origination fee	26.1	12,825,813	14,975,742
Post execution and other service charges		15,885,931	20,020,483
		<u>28,711,744</u>	<u>34,996,225</u>

26.1 Origination fee is net of sales commission expense.

27 EARNINGS PER SHARE - BASIC AND DILUTED

Earnings per share from net income for the year is calculated by dividing net income for the year by the number of shares for the year amounting to 50,000,000 shares (2016 : 50,000,000 shares).

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28 RISK MANAGEMENT

Risk is inherent in the Company's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability. The Company's activities are exposed to a variety of financial risks which mainly include market risk, credit risk and liquidity risk.

28.1 Risk management structure

Board of Directors

The Board of Directors is responsible for establishing the Company's policies, including risk management framework, and to review the performance of the Company to ensure compliance with these policies.

Credit and risk management committee

The credit and risk management committee is appointed by the Board of Directors. The credit and risk management committee assists the Board in reviewing overall risks which the Company might face, evaluate and review operational and non-operational risks and decide on mitigating factors related therewith.

Audit committee

The audit committee is appointed by the Board of Directors. The audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof and the soundness of the internal controls of the Company.

Internal audit

All key operational, financial and risk management processes are audited by the Internal Audit Department (IAD). IAD examines the adequacy of the relevant policies and procedures, the Company's compliance with the internal policies and regulatory guidelines. Internal audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

The risks faced by the Company and the way these risks are mitigated by management are summarized below.

28.2 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, profit rate risk and other price risk.

28.2.1 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals during the year. Accordingly, the Company is not exposed to any significant currency risk.

28.2.2 Profit rate risk

Profit rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Company is not exposed to long term obligations with floating profit rates therefore, the Company is not exposed to any significant profit rate risk.

28.2.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risk.

28.3 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers, taking credit approvals, obtaining collaterals and by monitoring outstanding receivables. Additionally, the Company retains the ownership of the leased assets as a guarantee until the full payment by customers. Further, the leased assets are also insured against the future losses.

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Credit risk (continued)

The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. These procedures are based on the Company's internal guidelines. The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

The Company manages the credit quality by ensuring that adequate collaterals are available for all the outstanding receivables, which the management reviews on a regular basis.

For credit risk arising from financial assets of the Company, including net investment in islamic financing (note 7), factorized receivables – under securitization and agency arrangements (to the extent of margin deposits – note 9) and other assets, the Company's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, where adequate collateral has not been obtained.

28.3.1 Net investment in islamic financing

The investment in islamic financing generally expose to significant credit risk. Therefore, the Company has established a number of procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees.

The Company also follows a credit classification mechanism, primarily driven by days delinquency as a tool to manage the quality of credit risk of the islamic financing portfolio.

The ageing of gross investment in islamic financing is as under:

	2017	2016
Neither past nor due	3,536,366,115	3,847,413,496
Past due 1-30 days	74,598,362	80,669,637
Past due 31-60 days	56,503,862	77,038,916
Past due 61-90 days	41,944,279	43,323,535
Past due 91-180 days	113,436,388	121,132,098
Past due over 180 days	490,953,553	288,381,176
	<u>4,313,802,559</u>	<u>4,457,958,858</u>
Less: Impairment for islamic financing	(252,375,724)	(114,374,536)
Net of Impairment	<u>4,061,426,835</u>	<u>4,343,584,322</u>
Total portfolio coverage ratio	<u>5.85%</u>	<u>2.57%</u>

The portfolio that is neither past due nor impaired has satisfactory history of repayment, where applicable. As at statement of financial position date, the Company has adequate collaterals to cover the overall credit risk exposure after making an impairment provision.

28.3.2 Bank balances and other receivables

Funds are placed with banks having good credit ratings and therefore are not subject to significant credit risk. Other receivables are neither significant nor exposed to significant credit risk.

28.4 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below summarizes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	2017			
	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
Trade payables	181,356,522	130,576,696	50,779,826	-
Other payables and accruals	133,499,944	96,119,960	37,379,984	-
Due to related parties	342,786,465	246,806,255	95,980,210	-
Net servicing liability for factorized receivables	313,614,015	-	-	313,614,015
Provision for zakat	89,490,082	-	7,469,826	82,020,256
Borrowings	1,605,877,146	485,655,208	723,473,216	396,748,722
Employees' post-employment benefits	27,195,662	-	2,176,094	25,019,568
	<u>2,693,819,836</u>	<u>959,158,119</u>	<u>917,259,156</u>	<u>817,402,561</u>

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	2016			
	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
Trade payables	357,882,967	257,675,736	100,207,231	-
Other payables and accruals	170,164,049	122,518,115	47,645,934	-
Due to related parties	421,412,663	303,417,117	117,995,546	-
Net servicing liability for factorized receivables	305,275,408	-	-	305,275,408
Provision for zakat	85,349,432	3,329,176	-	82,020,256
Borrowings	1,453,804,178	329,867,463	477,658,018	646,278,697
Employees' post-employment benefits	24,190,000	-	1,935,592	22,254,408
	<u>2,818,078,697</u>	<u>1,016,807,607</u>	<u>745,442,321</u>	<u>1,055,828,769</u>

Analysis of financial assets and liabilities based on maturities

The table show analysis of financial assets and liabilities according to when they are expected to be recovered or settled:

	2017			
	Carrying amount	Upto three months	More than three months and upto one year	More than one year
Cash and cash equivalents	180,552,688	180,552,688	-	-
Prepayments and other receivables	214,964,755	206,881,514	8,083,241	-
Due from related parties	4,838,245	2,149,920	2,688,325	-
Net investment in Islamic financing	3,227,705,358	679,314,083	922,116,893	1,626,274,382
Margin deposits - restricted	237,126,902	43,315,867	54,163,449	139,647,586
Financial assets	3,865,187,948	1,112,214,072	987,051,908	1,765,921,968
Trade payables	181,356,522	130,576,696	50,779,826	-
Other payables and accruals	133,499,944	96,119,960	37,379,984	-
Due to related parties	342,786,465	246,806,255	95,980,210	-
Net servicing liability for factorized receivables	313,614,015	-	-	313,614,015
Provision for zakat	89,490,082	-	7,469,826	82,020,256
Borrowings	1,605,877,146	485,655,208	723,473,216	396,748,722
Employees' post-employment benefits	27,195,662	-	2,176,094	25,019,568
Financial liabilities	2,693,819,836	959,158,119	917,259,156	817,402,561
Maturity gap	1,171,368,112	153,055,953	69,792,752	948,519,407
Cumulative maturity gap	1,171,368,112	1,324,424,065	1,394,216,817	2,342,736,224

	2016			
	Carrying amount	Upto three months	More than three months and upto one year	More than one year
Cash and cash equivalents	96,559,984	96,559,984	-	-
Prepayments and other receivables	225,637,435	217,152,873	8,484,562	-
Due from related parties	9,156,048	4,068,578	5,087,470	-
Net investment in Islamic financing	3,376,453,416	691,312,419	938,403,716	1,746,737,281
Margin deposits - restricted	222,675,647	30,173,245	37,729,523	154,772,879
Financial assets	3,930,482,530	1,039,267,099	989,705,271	1,901,510,160
Trade payables	357,882,967	257,675,736	100,207,231	-
Other payables and accruals	170,164,049	122,518,115	47,645,934	-
Due to related parties	421,412,663	303,417,117	117,995,546	-
Net servicing liability for factorized receivables	305,275,408	-	-	305,275,408
Provision for zakat	85,349,432	3,329,176	-	82,020,256
Borrowings	1,453,804,178	329,867,463	477,658,018	646,278,697
Employees' post-employment benefits	24,190,000	-	1,935,592	22,254,408
Financial liabilities	2,818,078,697	1,016,807,607	745,442,321	1,055,828,769
Maturity gap	1,112,403,833	22,459,492	244,262,950	845,681,391
Cumulative maturity gap	1,112,403,833	1,134,863,325	1,379,126,275	2,224,807,666

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28.5 Fair values of financial assets and liabilities

The Company's financial assets consist of cash and bank balances, net investment in islamic financing, margin deposits and other receivables, its financial liabilities consist of trade payables, borrowings, due to related parties, net servicing liability for factorized islamic financing receivables and other liabilities.

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

The fair values of financial instruments are not materially different from their carrying values except for the net investment in islamic financing (note 7).

28.6 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure and makes adjustments to it in light of the 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 the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

The Company monitors aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA. SAMA requires Finance Companies engaged in financing other than real estate, to not exceed aggregate financing to capital ratio of three times.

	2017	2016
Aggregate financing to capital ratio (Net investment in islamic financing divided by total equity)	<u>2.72</u>	<u>2.98</u>

29 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards and interpretations, if applicable, when they become effective.

29.1 IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its positions as at September 30, 2017. The total estimated adjustment due to adoption of IFRS 9 on the opening balance of the Company's equity as at 1 January, 2018 will approximately range between SR 90 million & SR 100 million .

In October 2017, the IASB issued Prepayment Features with Negative Compensation (Amendments to IFRS 9).The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

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29.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized 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.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Company has assessed the impact of changes in the revenue recognition requirements and concluded that the impact is not material.

29.3 IFRS 16 Leases

IFRS 16 is issued in January 2017 that requires lessees to account for all leases (subject to certain exemptions) under a single on balance sheet model (i.e., in a manner comparable to finance leases under IAS 17). Lessees would recognize a liability to pay rentals with a corresponding asset, and would separately recognize interest expense and amortization. The standard includes two recognition and measurement exemptions for lessees:

- leases of low-value assets (e.g. small printer;) and
- short-term leases (i.e. leases with a lease term of 12 months or less).

The new standard also requires reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee upon certain events. Lessor accounting would be essentially the same as today's lessor accounting, using IAS 17's dual classification approach. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

30 RESTATEMENT/RECLASSIFICATION OF PRIOR PERIOD FIGURES

Certain comparative information has been reclassified - rearranged, to conform to current year presentation. Further, as set out in note 3.1, the Company has changed its accounting policy to recognize zakat and tax charge for the year to retained earnings. Previously, zakat and tax was charged to the statement of profit or loss. The change in the accounting policy for zakat and tax has the following impacts on the net profit for the year and line items of the statements of financial position and changes in equity:

	Amount/balance as previously reported for the year ended and as at 31 December 2016	Effect of restatement	Amount/balance as as restated for the year ended and as at 31 December 2016
Net profit for the period	<u>74,879,544</u>	-	<u>74,879,544</u>

31 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on Jumada al-thani 16, 1439 H (corresponding to March 4, 2017 G) by the Board of Directors of the Company.