

**AL JABR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

AL JABR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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INDEPENDENT AUDITOR'S AUDIT REPORT

To the Shareholders of
Al Jabr Financing Company
(A Saudi closed Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Jabr Financing Company, a Saudi Closed Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, 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 the accounting of 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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the professional code of 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of 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 or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' 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. As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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INDEPENDENT AUDITOR'S AUDIT REPORT - Continued

Auditor's Responsibilities for the Audit of the Financial Statements- Continued

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

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

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.

Al-Bassam & Co.
Allied Accountants

Ibrahim A. Al Bassam
License No 527
Al Khobar,
21 February 2019G
15 Jumada I 1440H



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AL JABR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		31 December 2018 SR	31 December 2017 SR
ASSETS			
Cash and cash equivalents	5	30,459,822	37,648,137
Investment in financing contracts, net	6	870,554,044	674,927,703
Assets repossessed held for sale	7	2,012,796	1,780,777
Prepayment and other receivables	8	7,005,374	2,802,045
Investment in equity instruments by fair value through OCI	11	892,850	892,850
Property and equipment, net	10	5,721,734	5,416,895
TOTAL ASSETS		916,646,620	723,466,407
LIABILITIES AND SHAREHOLDERS' EQUITY			
Borrowings	12	302,090,185	200,000,000
Accounts payable and other liabilities	13	220,056,042	129,011,111
Zakat provision	14	2,386,925	1,451,686
End-of-service indemnities	15	1,875,757	2,402,976
TOTAL LIABILITIES		526,408,909	332,865,773
SHAREHOLDERS' EQUITY			
Share capital	16	345,000,000	345,000,000
Statutory reserve	17	8,647,299	6,318,392
Retained earnings		35,806,167	39,547,566
Actuarial gain /(loss) reserve on end-of-service indemnities	15	784,245	(265,324)
TOTAL SHAREHOLDERS' EQUITY		390,237,711	390,600,634
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		916,646,620	723,466,407

The accompanying notes form an integral part of these financial statement

AL JABR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 SR	31 December 2017 SR
NET REVENUE AND FINANCE INCOME			
Net sales revenue	19	-	10,685,363
Finance income	19	<u>107,846,811</u>	<u>83,153,322</u>
		107,846,811	93,838,685
Insurance cost		(32,071,160)	(26,049,861)
Finance charges	20	<u>(7,450,329)</u>	<u>(782,993)</u>
		68,325,322	67,005,831
Gross profit			
General and administration expenses	21	(26,879,414)	(22,614,323)
Selling and marketing expenses	22	(3,537,218)	(2,272,668)
Allowance for credit loss	6	(16,712,171)	(18,067,293)
Other income	23	<u>4,592,556</u>	<u>2,258,935</u>
		25,789,075	26,310,482
NET PROFIT			
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items that will not be reclassified to profit and loss			
Actuarial gain/(loss) reserve on end-of-service indemnities	15	1,049,569	(265,324)
Total other comprehensive income / (loss) for the year		<u>1,049,569</u>	<u>(265,324)</u>
		26,838,644	26,045,158
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
Earnings per share (basic and diluted)	24	0.75	0.76

The accompanying notes form an integral part of these financial statements.

AL JABR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital SR	Statutory Reserve SR	Retained Earnings SR	Actuarial (loss) / gain reserve on end-of- service indemnities SR	Total SR
Balance as on 1 January 2017	345,000,000	3,816,924	34,284,351	-	383,101,275
Net Profit for the year	-	-	26,310,482	-	26,310,482
Other comprehensive loss for the year	-	-	-	(265,324)	(265,324)
Total comprehensive income for the year	-	-	26,310,482	(265,324)	26,045,158
Zakat for the year	-	-	(1,295,799)	-	(1,295,799)
Net after zakat	-	-	25,014,683	(265,324)	24,749,359
Transfer to statutory reserve	-	2,501,468	(2,501,468)	-	-
Dividends distributed	-	-	(17,250,000)	-	(17,250,000)
Balance as at 31 December 2017	345,000,000	6,318,392	39,547,566	(265,324)	390,600,634
Balance as on 31 December 2018	345,000,000	6,318,392	39,547,566	(265,324)	390,600,634
Impact of new standard as at 1 January 2018 (note 3-a)	-	-	(7,451,567)	-	(7,451,567)
Balance as on 1 January 2018	345,000,000	6,318,392	32,095,999	(265,324)	383,149,067
Net Profit for the year	-	-	25,789,075	-	25,789,075
Other comprehensive income for the year	-	-	-	1,049,569	1,049,569
Total comprehensive income for the year	-	-	25,789,075	1,049,569	26,838,644
Zakat for the year	-	-	(2,500,000)	-	(2,500,000)
Net after zakat	-	-	23,289,075	-	23,289,075
Transfer to statutory reserve	-	2,328,907	(2,328,907)	-	-
Dividends distributed	-	-	(17,250,000)	-	(17,250,000)
Balance as at 31 December 2018	345,000,000	8,647,299	35,806,167	784,245	390,237,711

The accompanying notes form an integral part of these financial statements.

AL JABR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018 SR	31 December 2017 SR
OPERATING ACTIVITIES		
Net profit	25,789,075	26,310,482
Adjustments for:		
Depreciation	1,861,128	2,417,524
Provision for end-of-service indemnities	829,764	1,172,563
Allowance for credit loss	16,712,171	18,067,293
Finance charges	7,450,329	782,993
Changes in operating assets and liabilities:		
Investment in financing contracts, net	(219,790,079)	(227,804,473)
Prepayment and other receivables	(4,203,329)	(983,429)
Assets repossessed held for sale	(162,269)	(1,207,888)
Accounts payable and other liabilities	90,892,281	22,742,379
Cash used in operations	(80,620,929)	(158,502,556)
Zakat paid during the year	(1,564,761)	(1,526,715)
Finance charges paid	(7,297,679)	(530,778)
End-of-service indemnities paid	(307,414)	(178,999)
Net cash used in operating activities	(89,790,783)	(160,739,048)
INVESTING ACTIVITIES		
Investment in equity instrument by FVOCI	-	(892,850)
Purchase of property and equipment	(2,235,717)	(3,064,659)
Net cash used in investing activities	(2,235,717)	(3,957,509)
FINANCING ACTIVITIES		
Proceeds from borrowings, Note- 5.1	154,147,086	200,000,000
Repayment of loans, Note- 5.1	(52,056,901)	-
Dividends paid during the year	(17,250,000)	(17,250,000)
Net cash from financing activities	84,840,185	182,750,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,186,315)	18,053,443
Cash and cash equivalents at the beginning of the year	37,646,137	19,592,694
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	30,459,822	37,646,137
Non- cash transactions		
Actuarial gain /(loss) reserve on end-of-service indemnities	(1,049,569)	265,324
Transfer from Property and equipment to assets repossessed held for sale	69,750	153,543
Recognition of expected credit losses upon IFRS 9 adoption	7,451,567	-

The accompanying notes form an integral part of these financial statements