

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE MONTH ENDED 31 MARCH 2019**

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH ENDED 31 MARCH 2019
(Expressed in Saudi Riyals)

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Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Tamweel AIOula Company (A Closed Joint Stock Company)

Introduction

We have reviewed the accompanying 31 March 2019 condensed interim financial statements of **Tamweel AIOula Company ("the Company")** which comprises:

- the condensed statement of financial position as at 31 March 2019;
- the condensed income statement for the three month ended 31 March 2019;
- the condensed statement of comprehensive income for the three month ended 31 March 2019;
- the condensed statement of changes in shareholders' equity for the three month ended 31 March 2019;
- the condensed statement of cash flows for the three month ended 31 March 2019; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

Scope of review

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



Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Tamweel AlOula Company (A Closed Joint Stock Company) (Continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2019 condensed interim financial statements of **Tamweel AlOula Company ("the Company")** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as modified by SAMA for the accounting of zakat and income tax.

For KPMG Al Fozan & Partners
Certified Public Accountants


Tariq Abdulrahman Al Sunaid
License No: 419

Al Khobar, 20 Sha'ban 1440H
Corresponding to: 25 April 2019G



TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019
(Expressed in Saudi Riyals)

	Note	31 March 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS			
Non-current assets			
Islamic financing receivables	6	152,816,441	156,440,690
Right-of-use assets		2,345,340	-
Intangible assets		1,848,778	1,982,603
Property and equipment		1,200,401	1,330,036
Equity investment	7	892,850	892,850
Total non-current assets		159,103,810	160,646,179
Current assets			
Current maturity of islamic financing receivables	6	121,955,484	129,247,074
Prepayments and other receivables		6,088,728	5,968,524
Cash and cash equivalents		65,155,230	33,355,767
Total current assets		193,199,442	168,571,365
TOTAL ASSETS		352,303,252	329,217,544
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	9	250,000,000	250,000,000
Statutory reserve		5,692,086	5,692,086
Retained earnings		22,573,395	20,546,753
TOTAL SHAREHOLDERS' EQUITY		278,265,481	276,238,839
LIABILITIES			
Non-current liabilities			
Loans and borrowings	8	35,398,377	25,665,022
Government grant		4,057,723	1,468,127
Employees' benefits		3,540,087	3,475,926
Lease liability		754,854	-
Total non-current liabilities		43,751,041	30,609,075
Current liabilities			
Loans and borrowings - current portion	8	14,046,323	13,657,696
Accounts payable		5,343,335	3,573,356
Due to related parties	10	3,652,527	1,792,282
Accrued expenses and other liabilities		5,147,360	2,877,161
Lease liability - current		1,121,390	-
Zakat provision		975,795	469,135
Total current liabilities		30,286,730	22,369,630
TOTAL LIABILITIES		74,037,771	52,978,705
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		352,303,252	329,217,544

Mr. Hani Hassan Abdulah Alafaliq
Chairman

Mr. Muhammad Luqman Sharif
Chief Executive Officer

Mr. Ahmad Abdel Azeem
Chief Financial Officer

The accompanying notes from 1 to 17 form an integral part of these condensed interim financial statements.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED INCOME STATEMENT
FOR THE THREE MONTH ENDED 31 MARCH 2019
(Expressed in Saudi Riyals)

	<u>Note</u>	For the three month ended 31 March 2019 (Unaudited)	For the three month ended 31 March 2018 (Unaudited)
INCOME			
Income from operations			
Finance lease		9,921,396	10,176,936
Income from other activities			
Other income		305,436	479,525
Total income		10,226,832	10,656,461
EXPENSES			
Finance cost and bank charges	11	(674,699)	(47,886)
Insurance expenses for finance leasing activities		(1,016,430)	(2,076,731)
Salaries and employee related expenses		(3,785,893)	(4,072,026)
Rent and premises related expenses		-	(248,830)
Depreciation and amortization		(556,842)	(258,017)
Other general and administrative expenses		(1,659,666)	(1,542,942)
Total expenses		(7,693,530)	(8,246,432)
PROFIT FOR THE PERIOD		2,533,302	2,410,029
Earnings per share - basic and diluted	12	0.10	0.10

The accompanying notes from 1 to 17 form an integral part of these condensed interim financial statements.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH ENDED 31 MARCH 2019
(Expressed in Saudi Riyals)

	For the three month ended 31 March 2019 (Unaudited)	For the three month ended 31 March 2018 (Unaudited)
Profit for the period	2,533,302	2,410,029
Other comprehensive income	-	-
Total comprehensive income for the period	2,533,302	2,410,029

The accompanying notes from 1 to 17 form an integral part of these condensed interim financial statements.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTH ENDED 31 MARCH 2019
(Expressed in Saudi Riyals)

	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
1 January 2019 (Audited)	250,000,000	5,692,086	20,546,753	276,238,839
Total comprehensive income for the period	-	-	2,533,302	2,533,302
Zakat for the period	-	-	(506,660)	(506,660)
31 March 2019 (Unaudited)	250,000,000	5,692,086	22,573,395	278,265,481
1 January 2018 (Unaudited)	250,000,000	4,492,620	38,952,223	293,444,843
Total comprehensive income for the period	-	-	2,410,029	2,410,029
Zakat for the period	-	-	(185,003)	(185,003)
31 March 2018 (Unaudited)	250,000,000	4,492,620	41,177,249	295,669,869

The accompanying notes from 1 to 17 form an integral part of these condensed interim financial statements

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH ENDED 31 MARCH 2019
(Expressed in Saudi Riyals)

<u>Note</u>	For the three month ended 31 March 2019 (Unaudited)	For the three month ended 31 March 2018 (Unaudited)
OPERATING ACTIVITIES		
	2,533,302	2,410,029
<i>Adjustments for:</i>		
Depreciation and amortization	556,842	258,017
Special commission expenses and bank charges	674,699	47,887
Employees' benefits	139,364	428,218
Grant income realised during the period	(193,710)	-
Loss on disposal of property and equipment	-	4,198
	<u>3,710,497</u>	<u>3,148,349</u>
Working capital adjustments:		
Net investment in finance leases	10,915,838	(7,179,456)
Prepayments and other receivables	(120,204)	489,431
Due to related parties	1,860,245	(988,223)
Accounts payable	1,769,979	(5,529,141)
Accrued expenses and other liabilities	2,270,199	(610,858)
	<u>20,406,554</u>	<u>(10,669,898)</u>
Employees' benefits paid	(75,203)	(8,327)
Lease rental paid	(738,716)	-
Special commission expenses and bank charges paid	(403,535)	(47,887)
Net cash from / (used in) operating activities	<u>19,189,100</u>	<u>(10,726,112)</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment	(46,878)	(436,874)
Proceeds from disposal of property and equipment	-	176,247
Net cash used in investing activities	<u>(46,878)</u>	<u>(260,627)</u>
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	35,040,000	-
Repayment of loans and borrowings	(22,382,759)	-
Net cash from financing activities	<u>12,657,241</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	<u>31,799,463</u>	<u>(10,986,739)</u>
Cash and cash equivalents at beginning of the period	33,355,767	60,988,646
Cash and cash equivalent at end of the period	<u>65,155,230</u>	<u>50,001,907</u>

The accompanying notes from 1 to 17 form an integral part of these condensed interim financial statements.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH ENDED 31 MARCH 2019
(Expressed in Saudi Riyals)

1. CORPORATE INFORMATION

Tamweel AlOula Company (“the Company”) is a Saudi closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company is registered in Dammam under commercial registration number 2050055043 dated 15 Ramadan 1436 corresponding to 2 July 2015 and operating under company license number 39/A Sh/201512 dated 21 Safar 1437H corresponding to 3 December 2015 issued by Saudi Arabian Monetary Agency (“SAMA”).

The principal activities of the Company are financing lease and consumer lease.

The Company’s registered office is located in Dammam at the following address:

Tamweel AlOula Company
Al Khobar Dammam Highway
Al Kifah Tower
P.O. Box 7355, Dammam 31462
Kingdom of Saudi Arabia

In accordance with the By-laws of the Company, the Company acquired the operations, related assets and liabilities of Tamweel for Trading and Installments, a branch of Al Kifah Trading Company (a shareholder), as at 2 July 2015. The details of net assets acquired are as follows:

	Amount - SR
Cash and cash equivalents	16,866,415
Net investment in finance leases	463,387,079
Allowance for lease losses	(8,892,725)
Advances, prepayments and other receivables	3,069,010
Property and equipment, net	3,045,610
Intangible assets, net	45,189
Pre – organization expenses	2,362,716
Capital work in progress	3,112,500
Total assets	482,995,794
Long term loans from related parties	(303,829,810)
Accounts payable	(36,284,233)
Accrued expenses and other liabilities	(4,743,372)
Employees’ end of service benefits	(1,105,110)
Total liabilities	(345,962,525)
Net assets transferred	137,033,269

Cash consideration paid by the Company is equal to the book value of net assets transferred, which approximate the fair market value.

Furthermore, in October 2015, the Company has disposed certain financial assets (investment in finance lease) to Al Kifah Trading Company (a shareholder), amounted to SR 66.8 million. Lease receivables and related unearned finance lease income transferred were amounted to SR 71.5 million and SR 4.7 million, respectively (Refer to Note 6.6).

Management has notified SAMA about these transactions in order to obtain a no-objection letter as required by Implementing Regulations of the Finance Companies Control Law which has not been received till the statement of financial position date.

2. BASIS OF ACCOUNTING

Statement of compliance

These condensed interim financial statements are prepared using IAS 34 ‘Interim Financial Reporting’ and SAMA guidance for the accounting of Zakat and Income Tax and should be read in conjunction with the Company’s last annual financial statements as at and for the year ended 31 December 2018 (“last annual financial statements”). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

This is the first set of condensed interim financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 4.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH ENDED 31 MARCH 2019
(Expressed in Saudi Riyals)

2. BASIS OF ACCOUNTING (Continued)

Basis of preparation

The Company has prepared these condensed interim financial statements under the historical cost convention on the accrual basis of accounting and going concern concept.

Functional and presentational currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Saudi Riyals which is the Company's functional and presentation currency. All financial information presented in Saudi Riyals has been rounded to the nearest Riyal, unless otherwise mentioned.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed interim financial statements, management has made judgments and estimates that affect the application of accounting policies and reported amounts of the assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainties were the same as described in the last annual financial statements, except for the new significant judgments related to zakat as mentioned below and to the lessee accounting under IFRS 16, which are described in Note 4.

Zakat provision

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). The Company is subject to zakat regulation under SAMA guidelines (the "Regulations"). Uncertainties exist with respect to the interpretation of the Regulations for financial sector in relation to zakat. Given the wide range of business relationships and the nature of contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustment to zakat provision already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalization of zakat assessment.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below and elsewhere in these financial statements, the accounting policies applied in these condensed interim financial statements are the same as those Company's last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Company's annual financial statements as at and for the year ending 31 December 2019.

The Company has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019, as described in Note 5 below, but they do not have a material effect on the Company's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using modified retrospective approach, under which the cumulative effect of initial recognition is recognised in retained earnings as of 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details for the changes in accounting policies are disclosed below:

A. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for the period of time it exchange the consideration.

On transition to IFRS 16, the Company elected to apply practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH ENDED 31 MARCH 2019
(Expressed in Saudi Riyals)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Definition of a lease (Continued)

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

B. As a lessee

The Company has three rental agreements to be classified as right-of-use assets.

As a lessee, the Company previously classified lease as operating lease or finance lease based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. The Company presents right-of-use assets that do not meet definition of investment property as right-to-use assets

The Company presents lease liabilities as separate line item in statement of financial position.

i. Significant accounting policies

The Company recognizes the right-of-use assets and lease liability at the commencement date. The right-to-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for certain remeasurements of lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental rate of borrowings as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, change in the estimate amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

Previously, the Company classified property leases as operating lease under IAS 17. These include office and showrooms. The leases typically run for a period of 3 years. Some lease include an option to renew the lease for an additional period of three years after the end of the non-cancellable period.

At transition, for lease classified as operating leases under IAS 17, lease liability were measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments

The company used the following practical expedients when applying IFRS 16 to lease previously recognised as operating lease under IAS 17.

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. As a lessor

The accounting policies applicable to the Company as a lessor are not different from those under IAS 17. However, when the Company is an intermediate lessor the sub-leases are classified with reference to right-of-use arising from head leases, not with reference to the underlying assets.

The Company is not required to make any adjustments on transition to IFRS 16 for lease in which it acts as a lessor. However, the Company has applied IFRS 15 *Revenue from Contract with Customers* to allocate consideration in the contract to each lease and non-lease component.

D. Impact on financial Statements

i. Impacts on transitions

On transition to IFRS 16, the Company recognised additional right-of-used assets including additional lease liabilities, recognising the difference in income statement. The impact on transition is summarised below:

Impact of adoption on condensed interim statement of financial position as at 1 January 2019

	Non-current	Current	Total
Assets			
Rights-of-use assets	2,345,340	-	2,345,340
Liabilities			
Lease liabilities	754,854	1,121,390	1,876,244

Impact of adoption on condensed interim income statement for the three months ended 31 March 2019

When measuring lease liabilities for leases that were classified as operating lease, the Company discounted lease payments using its incremental borrowing rate as at 1 January 2019.

Particulars	Total
Increase in depreciation expenses	246,504
Decrease in operating lease expenses	(257,163)
Increase in finance cost	23,118
Net decrease in profit before Zakat	12,459

5. STANDARDS, NEW PRONOUNCEMENTS AND INTERPRETATIONS

New International Financial Reporting Standards (IFRS), International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Company.

The following new or amended standards adopted during the period, which did not have significant impact on the condensed interim financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments.
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19, and
- Annual improvements 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23).

In addition to the above, IFRS 16 Leases is applicable from 1 January 2019. Changes to significant accounting policies are described in Note 4.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(Expressed in Saudi Riyals)

5. STANDARDS, NEW PRONOUNCEMENTS AND INTERPRETATIONS (Continued)

Standards, interpretations and amendments to published standards that will be effective for the periods commencing after 1 January 2020 and have not been early adopted by the Company.

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

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing after 1 January 2020.

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8);
- IFRS 17 Insurance Contracts; and
- Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28).

6. ISLAMIC FINANCING RECEIVABLES

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Islamic financing receivables	315,172,032	327,420,339
Residual value	33,270,983	35,040,956
Gross Islamic financing receivables	348,443,015	362,461,295
Unearned financing income	(60,802,366)	(63,904,807)
Net Islamic financing receivables	287,640,649	298,556,488
Provision for Islamic financing receivables	(12,868,724)	(12,868,724)
	274,771,925	285,687,764
Current maturity	(121,955,484)	(129,247,074)
	152,816,441	156,440,690

6.1 There was no movement in provision for lease losses during the period:

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Opening balance for the period	12,868,724	13,123,354
Reversal during the period	-	(254,630)
Closing balance for the period	12,868,724	12,868,724

6.2 Islamic financing receivables includes amount due from a shareholder, Al Kifah for Building Materials Company, amounting to SR 9.77 million (31 December 2018: SR 9.39 million) and SR 12.43 million (31 December 2018: SR 14.97 million) in current and non-current maturities, respectively. Islamic financing receivables also includes amount due from another shareholder, Al Kifah Contracting Company, amounting to SR 7.54 million (31 December 2018: SR 6.99 million) and SR 16.03 million (31 December 2018: SR 18 million) in current and non-current maturities, respectively.

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6. ISLAMIC FINANCING RECEIVABLES (Continued)

6.3 The maturity of the gross Islamic financing receivables as at 31 March 2019 is as follows:

	Gross investment in finance leases (Unaudited)	Unearned leases finance income (Unaudited)	Net investment in finance leases (Unaudited)
Not later than one year	169,446,897	(34,622,690)	134,824,207
Later than one year but not later than five years	178,996,118	(26,179,677)	152,816,441
	<u>348,443,015</u>	<u>(60,802,367)</u>	<u>287,640,648</u>

The maturity of the gross investment in finance leases as at 31 December 2018 is as follows:

	Gross investment in finance leases (Audited)	Unearned leases finance income (Audited)	Net investment in finance leases (Audited)
Not later than one year	178,867,740	(36,121,941)	142,745,799
Later than one year but not later than five years	183,593,555	(27,782,866)	155,810,689
	<u>362,461,295</u>	<u>(63,904,807)</u>	<u>298,556,488</u>

6.4 The Company's implicit rate of return on Islamic financing is in market rate range. These are secured against financing assets and down payments. The Company's major activities for Islamic financing are for cars and heavy equipment.

6.5 Islamic financing receivables includes murabaha contracts amounting to SR 2.48 million (31 December 2018: SR 2.7 million) and Tawaruq contracts amounting to SR 0.11 million as at 31 March 2019 (31 December 2018: SR Nil).

6.6 The Company has disposed off certain financial assets (islamic financing receivables) as at 1 October 2015 to Al Kifah Trading Company (a shareholder), amounting to SR 66.8 million. Islamic financing receivables and related unearned financing income transferred amounted to SR 71.5 million and SR 4.7 million, respectively.

The management has notified SAMA about these transactions in order to obtain a no-objection letter as required by Implementing Regulations of the Finance Companies Control Law which has not been received till the statement of financial position date.

6.7 As at 31 March 2019, the contractual rights and the titles of certain assets subject to the islamic financing arrangements are under the name of Al Kifah Trading Company (a shareholder) amounting to SR 30.46 million (31 December 2018: SR 39 million) of islamic financing receivable. The shareholder has waived rights over these assets and confirmed that the risks and rewards pertaining to the assets have been transferred to the Company.

7. EQUITY INVESTMENT

Based on the instructions of Saudi Arabian Monetary Authority "SAMA" in the month of December of 2017 to establish a new entity that will register the leasing contracts in the Kingdom of Saudi Arabia called " Saudi for leasing registration ("the Investee"). SAMA has instructed all leasing companies and banks to contribute to the capital of the new investee. The Company has contributed SAR 892,850, towards 89,285 shares (2% of total shares) and paid the amount in December 2017.

The Company has accounted for the investment at cost in the absence of an open market for the investee's shares.

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8. LOANS AND BORROWINGS

The loans and borrowings of the Company as of 31 March 2019 and 31 December 2018 is as follows:

	<u>Maturity</u>	<u>Face value 2019 (Unaudited)</u>	<u>Carrying amount 2019 (Unaudited)</u>	<u>Carrying amount 2018 (Audited)</u>
Current portion of loans and borrowings				
Tawarruq Financing	2019	40,000	40,000	7,839,291
Term loan 1	2021	6,666,662	5,907,018	5,818,405
Term loan 2	2022	9,722,222	8,099,305	-
		16,428,884	14,046,323	13,657,696
Non-current portion of loans and borrowings				
Tawarruq Financing	2019	-	-	12,876,803
Term loan 1	2021	11,666,672	11,275,449	12,788,219
Term loan 2	2022	25,277,778	24,122,928	-
		36,944,450	35,398,377	25,665,022

Aggregate maturities of the long term loans at 31 March and 31 December 2018 were as follows:

	<u>2019 (Unaudited)</u>	<u>2018 (Audited)</u>
2019	9,953,491	13,657,696
2020	16,752,334	14,255,018
2021	17,841,390	11,410,004
2022	4,897,485	-
	49,444,700	39,322,718

Tawarruq Financing

During the period ended 31 December 2018, the Company obtained Tawarruq financing facility from a local commercial bank amounting to SR 100 million. The Company had withdrawn first tranche of SR 25 million as per the loan agreement to finance the purchase of assets for leasing services. The facility was repayable in 36 equal monthly installments which commenced from August 2018. The loan carries interest at market rate (SIBOR plus margin) and was secured with personal and corporate guarantees. During the current period the loan has been settled.

Term Loans

During the period ended 31 December 2018, the Company had obtained a long term loan from a government bank amounting to SR 20 million to finance the purchase of assets for leasing services for small and medium entities. These facilities are repayable in 36 equal monthly installments commencing from January 2019. The loan agreement does not include any covenants to maintain financial ratios during the loan period. Subsequently as of 31 March 2019, the Company has obtained an additional loan of SR 35 million under similar terms. The loans are carried at fair value using internal rate of return equivalent to the commercial market rate. The difference of carrying amount and face value as at 31 March 2019, is treated as government grant.

9. SHARE CAPITAL

The pattern of shareholding as of 31 March 2019 (unaudited) and 31 December 2018 (audited) is as follows:

	<u>Ownership percentage %</u>	<u>Number of shares</u>	<u>Amount – SR</u>
Al Kifah Holding Company	80	20,000,000	200,000,000
International Developers Company	5	1,250,000	12,500,000
Al Kifah for Building Materials Company	5	1,250,000	12,500,000
Al Kifah Trading Company	5	1,250,000	12,500,000
Al Kifah Contracting Company	5	1,250,000	12,500,000
	100	25,000,000	250,000,000

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10. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if the party has the ability to control or exercise significant influence over the Company's operating and financial decisions. The related parties represent the shareholders, the members of Board of Directors and the companies of which they are shareholders as well as the key management personnel. The management has approved the terms relating to the related party transactions. Following are the related parties of the Company and the amounts of significant transactions:

	For the three month ended 31 March 2019 (Unaudited)	For the three month ended 31 March 2018 (Unaudited)
Transactions:		
Al Kifah Holding Company – a shareholder		
Zakat paid on behalf of the Company	-	379,170
Value added tax paid on behalf of the Company	383,480	-
Payment against value added tax paid on behalf of the Company	(916,387)	-
Advertising expenses	55,498	120,882
Amount paid against advertising expenses	(86,780)	(172,028)
Services provided	63,963	(159,885)
Amounts paid against services	(367,625)	19,928
Al Kifah for Building Materials Company (Al Kifah Building Equipment Branch) - a shareholder		
Heavy machinery and equipment sales financed by the Company	2,630,000	37,714,450
Amount paid against machinery and equipment financed	(788,370)	(36,179,495)
Assets provided on islamic financing to the shareholder	-	25,000,000
Amount collected against Islamic financing receivables	(2,777,164)	-
Al Kifah Real Estate Company - other related party		
Annual rent for the Company's head office	-	182,792
Rent paid by the Company	-	(307,587)
Services provided	152,400	-
Al Kifah Contracting Company - a shareholder		
Amount collected against islamic financing receivables	(1,659,722)	-
Al Kifah Information Technology Company - other related party		
Information technology fee	297,467	86,913
Amount paid against Information technology fee	(520,029)	(5,461)
Al Kifah Trading Company - a shareholder		
Assets purchased for the purpose of islamic financing	-	3,034,902
Amount paid against assets purchased	-	(2,958,902)
Management fee received by the Company	(30,000)	-
Collection through shareholder - net	956,628	-
Al Kifah for Shore Advisory Services - other related party		
Amount paid against services	-	(62,500)

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10. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

i) The above mentioned transactions with related parties resulted in the following balances:

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
<u>Due to related parties:</u>		
Al Kifah Holding Company	434,028	1,301,879
Al Kifah Information Technology Company	195,733	418,295
Al Kifah Trading Company	1,005,516	48,888
Al Kifah for Building Materials Company	1,862,380	20,750
Al Kifah Real Estate Company	154,870	2,470
	<u>3,652,527</u>	<u>1,792,282</u>

ii) Key management personnel compensation comprised of the following transactions:

	For the three month ended 31 March 2019 (Unaudited)	For the three month ended 31 March 2018 (Unaudited)
<u>Transactions:</u>		
Compensation of key management personnel.	<u>591,006</u>	<u>368,907</u>

11. FINANCE COST AND BANK CHARGES

	For the three month ended 31 March 2019 (Unaudited)	For the three month ended 31 March 2018 (Unaudited)
Finance cost on loans and borrowings	617,367	-
Bank charges	34,215	47,886
Finance charge on lease liability	23,117	-
	<u>674,699</u>	<u>47,886</u>

12. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the shareholders by weighted average number of shares at the end of the period.

13. SEGMENT REPORTING

A segment is a distinguishable component that is engaged in providing leases (a business segment), which is subject to risks and rewards that are different from those of other segments.

The Company essentially monitors its business as a single business segment and accordingly it is management's opinion that segment reporting would not be relevant. The Company only operates in the Kingdom of Saudi Arabia.

14. 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.

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14. RISK MANAGEMENT (CONTINUED)

14.1 Risk management structure

Board of Directors

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

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 and risk management, 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. Internal audit 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.

Financial assets

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Financial assets measured at fair value:		
Equity investments	892,850	892,850
Total financial instruments at fair value	892,850	892,850
Financial assets measured at amortized cost:		
Net islamic financing receivables	274,771,925	285,687,764
Bank balances and short term deposit	65,155,230	33,355,718
Other receivables	2,471,921	2,420,931
Total financial assets at amortized cost	342,399,076	321,464,413
Total financial assets	343,291,926	322,357,263

Financial liabilities

Financial liabilities measured at amortized cost

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Loans and borrowings	49,444,700	39,322,718
Accounts payable	5,343,335	3,573,356
Accrued expenses and other liabilities	2,508,772	1,649,198
Due to related parties	3,652,527	1,792,282
Total financial assets at amortized cost	60,949,334	46,337,554

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

14.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has established procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral such as down payments and personal guarantees. Individual islamic financing contracts generally are for term not exceeding sixty- months.

The credit risks on gross amounts due in relation to the islamic financing receivables is mitigated by the retention of title on financed assets and down payments.

14. RISK MANAGEMENT (CONTINUED)

14.2 Credit risk (Continued)

14.2.1 Expected credit loss assessment for Islamic financing receivable balances

The Islamic financing receivable 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 follows a credit classification mechanism, primarily driven by day's delinquency as a tool to manage the quality of credit risk of the Islamic financing receivable. Further the company has categorized its Islamic financing receivable into sub categories on the basis of similar credit risk characteristics. Exposures within each credit risk category are segmented by industrial classification and an ECL rate is calculated for each segment based on the delinquency status and actual credit loss experience over the past years. These rates are multiplied by scalar factors to reflect differences between economic conditions, current conditions and the Company's' view of economic conditions over the expected lives of the receivables.

Movement in provision for lease losses is described in Note 6.

14.3 Fair values of financial assets and financial liabilities

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at statement of financial position date all financial assets and financial liabilities are measured at amortized cost.

15. ZAKAT MATTERS

Significant components of Zakat base of the Company principally comprise of shareholders' equity at the beginning of the period, adjusted net income and certain other items.

On 14 March 2019, the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia (KSA) issued rules for financing activities and are applicable for entities conducting financing activities. The rules are applicable to fiscal years commenced on or after 1 January 2019, and provide for minimum and maximum cap for Zakat base, Zakat base is computed and compared with minimum and maximum cap. If the zakat computed on zakat base under the rules is lower than the minimum cap then the liability is increased to the minimum cap. Alternatively, if the zakat computed on zakat base is higher than the maximum cap then the liability is restricted to maximum cap (Note 3).

Provision for Zakat

Provision for Zakat has been made at 2.5% of approximate Zakat base attributable to the Saudi shareholders of the Company.

16. SUBSEQUENT EVENTS

There were no significant events between the date of statement of financial position and date of issuance of interim financial statements which requires adjustments / disclosure in these financial statements.

17. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These interim condensed financial statements were approved on 25 April 2019G corresponding to 20 Sha'ban 1440H.