TAMWEEL Al OULA COMPANY
(SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND AUDITOR'S REVIEW REPORT FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2019

TAMWEEL Al OULA COMPANY
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FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2019

Building a better working world

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAMWEEL AL OULA COMPANY (SAUDI CLOSED JOINT STOCK COMPANY)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Tamweel Al Oula Company ("the Company") as at 30 September 2019, and the related interim condensed statements of profit or loss and other comprehensive income for the three and nine-months periods then ended and the related statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Marwan Al Afaliq
Certified Public Accountant
Registration No. 422

28 Safar 1441H
27 October 2019

Al Khobar

TAMWEEL AL OULA COMPANY

(Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2019

	Note	***Three-month period ended 30 September***		***Nine-month period ended 30 September***	
		2019	*2018*	***2019***	*2018*
		SR	*SR*	***SR***	*SR*
			(Restated)		*(Restated)*
Revenue					
Revenue from operations	6	**9,932,012**	10,580,068	**29,506,312**	30,251,735
Revenue from other activities		**387,117**	162,444	**1,091,009**	717,387
TOTAL INCOME		**10,319,129**	10,742,512	**30,597,321**	30,969,122
EXPENSES					
Finance costs and bank charges		**(972,392)**	(359,506)	**(2,661,783)**	(454,287)
Insurance expenses for finance leasing activities		**(1,134,249)**	(1,830,660)	**(3,283,744)**	(5,830,815)
Salaries and employees' related expenses		**(3,231,344)**	(3,879,305)	**(11,586,974)**	(11,866,077)
Rent		-	(340,271)	-	(833,155)
Depreciation and amortisation		**(633,133)**	(260,364)	**(1,778,881)**	(778,836)
Expected credit loss on Islamic finance receivables		**(1,563,499)**	-	**(1,563,499)**	-
Other general and administrative expenses		**(1,345,023)**	(1,436,990)	**(4,640,634)**	(3,876,733)
TOTAL EXPENSES		**(8,879,640)**	(8,107,096)	**(25,515,515)**	(23,639,903)
PROFIT BEFORE ZAKAT		**1,439,489**	2,635,416	**5,081,806**	7,329,219
Zakat	11	-	(40,484)	**(729,263)**	(225,487)
PROFIT FOR THE PERIOD		**1,439,489**	2,594,932	**4,352,543**	7,103,732
OTHER COMPREHENSIVE INCOME					
Other comprehensive income for the period		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,439,489**	2,594,932	**4,352,543**	7,103,732

The attached notes 1 to 15 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY
(Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2019

	Note	*30 September 2019* SR (unaudited)	*31 December 2018* SR (audited)
ASSETS			
NON-CURRENT ASSETS			
Net investment in Islamic finance receivables	7	**199,845,988**	156,440,690
Right-of-use assets		**2,122,509**	-
Intangible assets		**1,586,082**	1,982,603
Property and equipment		**868,625**	1,330,036
Equity investment at fair value through other comprehensive income "OCI"		**892,850**	892,850
TOTAL NON-CURRENT ASSETS		**205,316,054**	160,646,179
CURRENT ASSETS			
Net investment in Islamic finance receivables - current	7	**157,306,295**	129,247,074
Prepayments and other receivables		**4,318,791**	5,968,524
Bank balances and cash		**20,861,010**	33,355,767
TOTAL CURRENT ASSETS		**182,486,096**	168,571,365
TOTAL ASSETS		**387,802,150**	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		**11,056,906**	20,546,753
TOTAL SHAREHOLDERS' EQUITY		**266,748,992**	276,238,839
NON-CURRENT LIABILITIES			
Loans and borrowings	10	**60,361,657**	25,665,022
Government grant		**3,384,836**	1,468,127
Employees' defined benefits liabilities		**3,578,310**	3,475,926
Lease liabilities		**1,032,455**	-
TOTAL NON-CURRENT LIABILITIES		**68,357,258**	30,609,075
CURRENT LIABILITIES			
Current portion of loans and borrowings	10	**33,159,514**	13,657,696
Accounts payable		**8,660,324**	3,573,356
Amounts due to related parties	8	**3,365,758**	1,792,282
Accrued expenses and other liabilities		**5,710,837**	2,877,161
Lease liabilities - current		**1,059,140**	-
Provision for zakat	11	**740,327**	469,135
TOTAL CURRENT LIABILITIES		**52,695,900**	22,369,630
TOTAL LIABILITIES		**121,053,158**	52,978,705
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**387,802,150**	329,217,544

The attached notes 1 to 15 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY
(Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine-month period ended 30 September 2019

	Share capital	*Statutory reserve*	*Retained earnings*	***Total***
	SR	*SR*	*SR*	***SR***
As at 1 January 2018 (Unaudited)	250,000,000	4,492,620	38,952,223	293,444,843
Profit for the period	-	-	7,103,732	7,103,732
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	7,103,732	7,103,732
Dividends	-	-	(28,922,724)	(28,922,724)
As at 30 September 2018	**250,000,000**	**4,492,620**	**17,133,231**	**271,625,851**
Balance at 31 December 2018	**250,000,000**	**5,692,086**	**20,546,753**	**276,238,839**
Profit for the period	-	-	4,352,543	4,352,543
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	4,352,543	4,352,543
Dividends (note 12)	-	-	(13,842,390)	(13,842,390)
Balance at 30 September 2019	**250,000,000**	**5,692,086**	**11,056,906**	**266,748,992**

The attached notes 1 to 15 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY

(Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine-month period ended 30 September 2019

	Nine-month period ended 30 September 2019	*Nine-month period ended 30 September 2018*
	SR	*SR*
OPERATING ACTIVITIES		
Profit before zakat	**5,081,806**	7,329,217
Adjustments for:		
Depreciation and amortisation	**995,792**	778,836
Depreciation of right of use assets	**783,088**	-
Finance costs and bank charges	**2,661,783**	454,287
Employees' defined benefits liabilities, charged	**479,920**	790,639
Grant income realised	**(866,597)**	-
Expected credit loss on Islamic finance receivables	**1,563,499**	-
Loss on sale of property and equipment	**-**	7,644
	10,699,291	9,360,623
Changes in operating assets and liabilities:		
Net investment in Islamic finance receivables	**(73,028,018)**	(10,592,680)
Prepayments and other receivables	**1,649,733**	569,207
Amounts due to related parties	**1,573,476**	(11,547,223)
Accounts payable	**5,086,968**	(14,900,708)
Accrued expenses and other liabilities	**2,833,676**	548,334
Cash use in operations	**(51,184,874)**	(26,562,447)
Employees' defined benefits liabilities, paid	**(377,537)**	(66,980)
Zakat paid	**(458,071)**	-
Finance costs and bank charges paid	**(1,001,920)**	(340,361)
Lease rental paid	**(887,124)**	-
Net cash used in operating activities	**(53,909,526)**	(26,969,788)
INVESTING ACTIVITY		
Purchase of property and equipment	**(137,860)**	(206,614)
Net cash used in investing activity	**(137,860)**	(206,614)
FINANCING ACTIVITIES		
Dividends paid	**(13,842,390)**	(28,922,724)
Proceeds from loans and borrowings	**85,000,000**	43,900,000
Repayment of loans and borrowings	**(29,604,981)**	(1,388,889)
Net cash from financing activities	**41,552,629**	13,588,387
DECREASE IN BANK BALANCES AND CASH	**(12,494,757)**	(13,588,015)
Bank balances and cash at the beginning of the period	**33,355,767**	60,988,644
BANK BALANCES AND CASH AT THE END OF THE PERIOD	**20,861,010**	47,400,629

The attached notes 1 to 15 form part of these interim condensed financial statements.

1 CORPORATE INFORMATION

Tamweel Al Oula Company ("the Company"), is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050055043 dated 15 Ramadan 1436H (corresponding to 2 July 2015) operating under license number 39/ASH/201512 dated 21 Safar 1437H (corresponding to 3 December 2015) issued by Saudi Arabian Monetary Agency ("SAMA"). The Company's registered office is located at PO 34232, Dammam, Kingdom of Saudi Arabia. The Company operates through the following branches:

Commercial Registration Name	***Number***	***Location***	***Date***
Tamweel Al Oula - Branch	2051065442	Al Khobar	17/04/1493H
Tamweel Al Oula - Branch	2252101795	Al Hasa	02/06/1439H

The Company is engaged in financing lease, consumer finance and productive assets finance.

These interim condensed financial statements have been approved on 27 October 2019.

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

	SR
Cash and cash equivalents	**16,866,415**
Net investment in Islamic finance receivables	**463,387,079**
Allowance for lease losses	**(8,892,725)**
Advances, prepayments and other receivables	**3,069,010**
Property and equipment	**3,045,610**
Intangible assets	**45,189**
Pre-organisation 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’ terminal benefits	**(1,105,110)**
Total liabilities	**(345,962,525)**
Net assets transferred	**137,033,269**

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

Management has notified SAMA about these transaction 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 PREPARATION

The interim condensed financial statements of the Company as at and for the nine months period ended 30 September 2019 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2018.

The financial statements of the Company as at and for the period and year ended 31 March 2019 and 31 December 2018, respectively, were prepared in compliance with the IAS 34 and the International Financial Reporting Standards ("IFRS") respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax) and the Finance Companies Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia. The Company has adopted IFRS 16 from 1 January 2019, IAS 12 from the interim condensed financial statements for the six-month period ended 30 June 2019 and accounting policies are disclosed in note 3.

On 17 July 2019, SAMA instructed the Companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in note 3 and the effects of this change are disclosed in note 3 to the interim condensed financial statements).

2.1 Basis of measurement

These interim condensed financial statements have prepared on historical cost basis, except for employees' terminal benefits measured using actuarial method and fair value for equity investments.

2.2 Presentation and functional currency

The presentation and functional currency of the Company is Saudi Riyal.

3 SIGNIFICANT ACCOUNTING POLICIES AND IMPACT OF CHANGES DUE TO ADOPTION OF NEW STANDARDS

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018, except for policies for IFRS 16 and IAS 12 as mentioned above. The policies and impact of the adoption of those standard are explained below:

3.1 Change in accounting for zakat and income tax

As mentioned above, the basis of preparation has been changed from the period ended 30 June 2019 as a result of the issuance of instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the interim condensed statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax shall be recognized in the interim condensed statement of income, this aligns with IFRS as endorsed in KSA.

The change has resulted in reduction of reported income of the Company for the period ended 30 September 2018 by SR 225,487. The change has had no impact on the statement of financial position, change in shareholders' equity and cash flows for the period ended 30 September 2018.

Refer to note 11 for the impact on the line items of the statement of comprehensive income and statement of change in shareholders' equity.

3 SIGNIFICANT ACCOUNTING POLICIES AND IMPACT OF CHANGES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)

The accounting policy for zakat as follows:

Zakat

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT") applicable on financing companies. Zakat expense is charged to the profit or loss. The charge for the interim period is calculated based on estimated zakat charge for the whole year.

3.2 Change in accounting for lease (IFRS 16)

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	SR
Assets	
Right-of-use assets	**2,591,844**
Liabilities	
Lease liabilities - non-current	**738,717**
Lease liabilities - current	**1,853,127**

Impact on the interim condensed statement of comprehensive income (increase/(decrease)) for nine-month period ended 30 September 2019:

Depreciation expense	**(783,088)**
Operating lease expenses	**813,917**
Finance costs	**(72,368)**
Profit for the period	**(41,539)**

3 SIGNIFICANT ACCOUNTING POLICIES AND IMPACT OF CHANGES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)

3.2 Change in accounting for lease (IFRS 16) (continued)

I) Company as a lessee

A) Nature of the effect of adoption of IFRS 16

The Company has lease contracts for various items of office and showrooms for a period from a year to 3 years with renewal option for some of its lease for additional period of 3 years after the end of non-cancellable period. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

• Leases previously classified as finance leases

The Company did not have any contracts identified as finance lease under IAS 17.

• Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

• Used a single discount rate to a portfolio of leases with reasonably similar characteristics

• Relied on its assessment of whether leases are onerous immediately before the date of initial application

• Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application

• Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

• Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

3 SIGNIFICANT ACCOUNTING POLICIES AND IMPACT OF CHANGES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)

3.2 Change in accounting for lease (IFRS 16) (continued)

• Leases previously accounted for as operating leases (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	SR
Operating lease commitments as at 31 December 2018	**829,467**
Weighted average incremental borrowing rate as at 1 January 2019	**3.85%**
Discounted operating lease commitments at 1 January 2019	**736,996**
Add:	
Payments in optional extension periods not recognised as at 31 December 2018	**1,854,848**
Lease liabilities as at 1 January 2019	**2,591,844**

Set out below are the new accounting policies of the Company as a lessee upon adoption of IFRS 16:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liability

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the average borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3 SIGNIFICANT ACCOUNTING POLICIES AND IMPACT OF CHANGES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)

3.2 Change in accounting for lease (IFRS 16) (continued)

II) Company 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 of IFRS 16 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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty, and critical judgments in applying accounting policies (that have the most significant effect on the amount recognised in the financial statements). The significant judgment, estimates and assumptions were the same as those applied to the Company's annual financial statements as at 31 December 2018, except for the adoption of IFRS 16 as follows:

a) Determination of lease term

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms from a year to three years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Company included the renewal period as part of the lease term for leases of office and showrooms due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years).

b) Determination of discount rate

The Company as a lessee, measures the lease liability at the present value of the unpaid lease payments at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

Incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in similar economic environment.

The Company determines its incremental borrowing rate with reference to its existing and historical cost of borrowing adjusted for the term and security against such borrowing.

5 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 interim condensed financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- IFRS 17 Insurance Contracts
- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of Material

The following amendments to standards and interpretations were applied for the first time in the 2019 interim financial period which did not have impact on the interim condensed financial statements:

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Annual IFRS Improvement Process
    - IFRS 3 Business Combinations - Previously held Interests in a joint operation
    - IFRS 11 Joint Arrangements - Previously held Interests in a joint operation
    - IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
    - IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

6 REVENUE FROM OPERATIONS

	For the nine-month ended 30 September 2019	*For the nine-month ended 30 September 2018*
	SR	*SR*
Finance income and insurance revenue	**27,633,444**	28,704,908
Fees revenue	**1,872,868**	1,546,827
	29,506,312	30,251,735

7 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES

	30 September 2019	*31 December 2018*
	SR	*SR*
Gross investment in Islamic finance receivables	**448,302,456**	362,461,295
Less: unearned finance income	**(76,717,949)**	(63,904,807)
Investment in Islamic finance receivables (before credit loss on Islamic finance receivables)	**371,584,507**	298,556,488
Less: credit loss on Islamic finance receivables	**(14,432,223)**	(12,868,724)
Net investment in Islamic finance receivables	**357,152,284**	285,687,764

Analysed as follows:

Net investment in Islamic finance receivables, current	**157,306,295**	129,247,074
Net investment in Islamic finance receivables, non-current	**199,845,989**	156,440,690
	357,152,284	285,687,764

7 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES (continued)

Movement in the credit loss on finance receivables was as follows:

	30 September 2019 SR	*31 December 2018 SR*
At the beginning of the period/year	**12,868,724**	13,123,354
Provided during the period/year	**1,563,499**	-
Reversed during the period/year	-	(254,630)
At the end of the period/year	**14,432,223**	12,868,724

Investment in Islamic finance receivables include amounts due from a shareholder, Alkifah Real Estate Company amounting to SR 25 million (31 December 2018: nil), Alkifah Paper Products Company amounting to SR 25 million (31 December 2018: nil), Alkifah precast company amounting to SR 25 million (31 December 2018: nil), Al Kifah Contracting Company amounting to SR 19.9 million (31 December 2018: 25 million), Al Kifah for Building Material Company amounting to SR 19.9 million (31 December 2018: 24.36 million).

The Maturity of the gross investment in Islamic finance receivables as at 30 September 2019 is as follows:

	Gross investment in Islamic finance receivables *SR*	Unearned lease finance income *SR*	Net investment in Islamic finance receivables *SR*
No later than one year	214,167,137	(42,428,248)	171,738,889
Later than one year but not later than 5 years	234,135,319	(34,289,701)	199,845,618
At the end of the period/year	**448,302,456**	**(76,717,949)**	371,584,507

The Maturity of the gross investment in Islamic finance receivables as at 31 December 2018 is as follows:

	Gross investment in Islamic finance receivables *SR*	Unearned lease finance income *SR*	Net investment in Islamic finance receivables *SR*
No later than one year	178,867,740	(36,121,941)	142,745,799
Later than one year but not later than 5 years	183,593,555	(27,782,866)	155,810,689
At the end of the period/year	**362,461,295**	**(63,904,807)**	298,556,488

The Company's implicit rate of return on investment in finance receivables is in market rate range. These are secured against assets and down payments. The Company's major activities for investment in finance receivables are vehicles and heavy equipment.

Investment in finance receivables include murabaha contracts amounting to SR 2.1 million (31 December 2018: SR 2.7 million) and Tawaruq contracts amounting to SR 65 million (31 December 2018: SR nil)

As at 30 September 2019, the contractual rights and the titles of certain assets subject to the financing arrangements are under the name of Al Kifah Trading Company (a shareholder) amounting to SR 21.41 million (31 December 2018: SR 39 million) of Islamic financing receivables. The shareholder was waived rights over the assets and confirmed that the risks and rewards pertaining to the assets have been transferred to the Company.

Please refer to note 14 for risk management.

8 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, directors and key management personnel of the Company and entities controlled or significantly influenced by such parties.

The following are the details of the major related party transactions occurred during the period and the resulting balances at the period/ year end:

Related party	***Relationship***	***Nature of transactions***	***Amounts of transactions***		***Balances***	
			30 September 2019 SR	*30 September 2018 SR*	***30 September 2019 SR***	*31 December 2018 SR*
Amounts due to related parties - (presented under current liabilities):						
Al Kifah Trading Company	Shareholder	Assets purchased for the purpose of leases	**1,917,655**	3,485,902		
		Amount paid against assets purchased	**(321,646)**	(3,632,402)		
		Management Fee Receivable by the company	**(30,000)**	-		
		Refund of excess balance ,net	**(18,000)**	-	**1,596,008**	48,888
Al Kifah Holding Company	Shareholder	Value added tax paid on behalf of the Company	**1,237,402**	1,054,191		
		Zakat paid on behalf of the Company	**(1,616,930)**	(1,616,414)		
		Advertising expenses	**453,371**	344,164		
		Amount paid against advertising expenses	**(434,900)**	(395,310)		
		Services provided	**1,525,069**	1,273,071		
		Amounts paid against services	**(1,660,225)**	(1,423,572)	**809,658**	1,301,879
Al Kifah for Building Material Company	Shareholder	Heavy machinery and equipment sales financed by the Company	**62,625,317**	39,043,352		
		Amount paid against machinery and equipment financed	**(62,157,317)**	(48,718,352)		
		amount collected against Islamic Financing Receivables	**(7,671,464)**	4,916,667		
		Assets provided on lease to the shareholder	**2,500,000**	25,000,000	**488,750**	20,750

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Amounts due to related parties - (presented under current liabilities) (continued):

Related party	***Relationship***	***Nature of transactions***	***Amounts of transactions***		***Balances***	
			30 September 2019 SR	*30 September 2018 SR*	***30 September 2019 SR***	*31 December 2018 SR*
Al Kifah Information Technology	Affiliate	Information technology fee	**1,044,237**	599,333		
		Amount paid against Information technology fee	**(1,134,799)**	(692,489)	**327,734**	418,295
Al Kifah Real Estate Company	Affiliate	Services provided	**364,858**	-		
		Amounts paid against services provided	**(269,270)**	-	**98,058**	2,470
Al Kifah Contracting Company	Shareholder	Amount due against construction of new office	**345,550**	-		
		Amount paid against construction of new office	**(300,000)**	-		
		Amount collected against Islamic Financing Receivables	**(5,809,029)**	-	**45,550**	-
					3,365,758	1,792,282

- Compensation and remuneration (including salaries and other benefits) for key management personnel is disclosed as follows:

	30 September 2019 SR	*30 September 2018 SR*
Short-term employee benefit	**1,472,062**	1,044,407
Post-employment benefits	**416,976**	276,267
	1,889,038	**1,320,674**

- Prices and terms of payments of the above transactions with related parties have been approved by Company's management.

9 SHARE CAPITAL

The share capital of the Company is divided into 25,000,000 shares (31 December 2018: 25,000,000 shares) of SR 10 each.

Name of shareholders	**Ownership %**	**Number of shares**	***Amount SR***
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 Material 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**

10 LOANS AND BORROWINGS

	Social Development Bank financing	Tawaruq financing	***30 September 2019 SR***	*31 December 2018 SR*
Current portion	16,492,861	16,666,653	**33,159,514**	13,657,696
Non-current portion	27,028,310	33,333,347	**60,361,657**	25,665,022
Total	**43,521,171**	**50,000,000**	**93,521,171**	39,322,718

During 2019, the Company obtained Tawaruq financing facility form a local commercial bank to finance the purchase of assets for leasing services, the facility was repayable over 36 equal monthly instalments commenced from October 2019. the loan carries financial charges at prevailing market borrowing costs plus SIBOR. These borrowings are secured by promissory notes issued by the shareholders. The Company is required to comply with certain covenants under the facility agreements which includes maintenance of certain leverage ratios. No breach of covenants during the period.

The Company obtained long term loans from a government agent to finance the purchase of assets for leasing services for small and medium sized entities. The loans agreements do not include any covenant to maintain financial ratios during the loans period. The loan are not subject to any interest charges; however the loans carry transctions costs which are amortised as part of the finance costs over the duration of the loans.

The loans are carried at fair value using internal rate of return equivalent to the prevailing market rate. The difference between carrying value and face value as of initial recognition date, is treated as government grant, which is amortised over the duration of the related loans.

11 ZAKAT

In March 2019, new Zakat Regulations were issued by GAZT under resolution No. 2215 dated 7/7/1440 (14 March 2019) (the "Zakat Regulations") which provided a new basis for calculation of Zakat for companies engaged in financing activities.

The Zakat base computed in accordance with the formula specified in the Zakat Regulations is also subject to thresholds for minimum and maximum liability.

The change in the accounting treatment for zakat and income tax (as explained in note 3) has the following impact on the line items of the statements of comprehensive income and changes in shareholders' equity:

11 ZAKAT (continued)

As at and for the three and nine months periods ended 30 September 2018:

Financial statement impacted	Account	Before the restatement for the three-month period ended 30 September 2018	Effect of restatement	As restated as at and for the three-month period ended 30 September 2018:
Comprehensive income	Zakat expense	-	40,484	40,484

Financial statement impacted	Account	Before the restatement for the nine-month period ended 30 September 2018	Effect of restatement	As restated as at and for the nine-month period ended 30 September 2018:
Comprehensive income	Zakat expense	-	225,487	225,487
As at 31 December 2018				
Comprehensive income	Zakat expense	-	411,874	411,874

Movements in zakat provision

	30 September 2019	*31 December 2018*
	SR	*SR*
At the beginning of the year	**469,135**	741,998
Provided during the year	**729,263**	411,874
Paid during the year	**(458,071)**	(684,737)
At the end of the year	**740,327**	469,135

Zakat assessments

The Company has submitted its zakat returns as part of Al Kifah Holding Company (referred as "group") consolidated zakat returns for fiscal year ended 30 September 2018 and accordingly obtained a zakat certificate valid till 30 January 2020. Starting from the quarter ended 30 June 2019, the Company calculates its zakat provision as per the rules applicable on financing companies, however, the management is still considering to file its zakat with the group and still clearing this matter with GAZT."

12 DIVIDENDS

During the period, the shareholders approved distribution of cash dividends amounting to SR 13.8 million which were distributed.

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- in the accessible principal market for the asset or liability, or
- in the absence of a principal market, in the most advantages accessible market for the asset or liability.

When measuring the fair value of an asset or 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 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).

At interim condensed statement of financial position date all of the financial assets and financial liabilities are measured at amortised cost, except equity instrument which is classified under FVOCI and categorised under level 3 of fair value hierarchy.

Fair value of financial assets is not significantly differ from the carrying value included in the interim condensed financial statements.

14 RISK MANAGEMENT

The Company's principal financial liabilities comprise loans and borrowings, government grant and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include investment in Islamic financing receivables, bank balances. The Company also holds equity instrument at FVOCI.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a risk committee that advises on financial risks and the appropriate financial risk governance framework for the Company.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: profit/ interest rate risk, currency risk and commodity risk. Financial instruments affected by market risk include leasing activities, loans and borrowings.

Profit/Interest rate risk

The profit/interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates and profit bearing Islamic finance receuvabkes

As of 30 September 2019, the Company has loans from Social Development bank which are free-interest loans. The Company has a loan from a local bank bearing interest rate, an assumed increase of 100 basis points in profit/ interest rates would increase the Company's expenses for the period by SR 500,000 (2018: SR 20,000). A decrease of 100 basis points in profit/interest rates would have an equal and opposite effect.

14 RISK MANAGEMENT (continued)

Currency and commodity risk

The Company is not exposed to either currency nor commodity risks.

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 has established procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collaterals such as down payments and personal guarantees. individual Islamic financing contracts generally are for term not exceeding sixty-month.

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

Expected credit loss assessment for investment in Islamic finance receivables

The investment in Islamic finance receivables generally exposed to significant credit risk, therefore, the Company has established a number of procedures to manage credit risk exposure including evaluation of the lessees' credit worthiness, formal credit approvals, assigning credit limits obtaining collateral and personal guarantees.

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

Set out below is the information about the credit risk exposure on the Company’s investment in Islamic finance receivables using a provision matrix as of 30 September 2019 and 31 December 2018:

30 September 2019

	Weighted average loss rate	**Gross carrying amount**	**Net carrying amount**	**Loss allowance**	**Credit impaired**
Corporates & SMEs Enterprise	2.2407%	314,448,348	271,218,468	6,077,266	No
Retail	2.649%	112,675,795	85,245,863	2,258,084	No
Doubtful	28.871%	17,179,360	13,631,790	3,935,617	No
Loss	61.565%	3,998,953	3,510,534	2,161,256	Yes
		448,302,456	373,606,655	14,432,223	

31 December 2018

	Weighted average loss rate	Gross carrying amount	Net carrying amount	Loss allowance	Credit impaired
Corporates & SMEs Enterprise	1.6%	223,533,398	192,540,897	3,043,554	No
Retail	3.195%	120,896,704	92,956,837	2,969,714	No
Doubtful	34.51%	14,121,074	11,281,531	3,893,292	No
Loss	87.600%	3,910,119	3,380,254	2,962,164	Yes
		362,461,295	300,159,519	12,868,724	

14 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that the bank facilities and shareholders' support are available.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

As of 30 September 2019

	Within 1 year	***1 to 5 years***	***More than 5 years***	***Total***
	SR	***SR***	***SR***	***SR***
Accounts payable	8,660,324	-	-	8,660,324
Amounts due to related parties	3,365,758	-	-	3,365,758
Loans and borrowings	33,159,514	60,361,657	-	93,521,171
Lease liability	1,301,010	2,209,028	-	3,510,038
	46,486,606	**62,570,685**	**-**	**109,057,291**

As of 31 December 2018

	Within 1 year	*1 to 5 years*	*More than 5 years*	*Total*
	SR	*SR*	*SR*	*SR*
Accounts payable	3,573,356	-	-	3,573,356
Amounts due to related parties	1,792,282	-	-	1,792,282
Loans and borrowings	13,657,696	25,665,022	-	39,322,718
	19,023,334	25,665,022	-	44,688,356

15 EVENTS AFTER THE REPORTING DATE

No such event that require adjustment or disclosure occurred after the reporting date until the date of authorisation of financial statements as mentioned in note 1.