TAMWEEL ALOULA COMPANY
(A CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE PERIOD FROM 1 OCTOBER 2017 TO 31 DECEMBER 2018

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT
FOR THE PERIOD FROM 1 OCTOBER 2017 TO 31 DECEMBER 2018
(Expressed in Saudi Riyals)

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License No. 46/11/323 issued 11/3/1992

Independent Auditors' Report

To the Shareholders of Tamweel Aloula Company

Opinion

We have audited the financial statements of **Tamweel Aloula Company** ("the Company"), which comprise the statement of financial position as at 31 December 2018, the income statement, statements of comprehensive income, changes in shareholders' equity and cash flows for the period from 1 October 2017 to 31 December 2018, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS) as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists.

KPMG

Independent Auditors' Report

To the Shareholders of Tamweel Aloual Company (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Tamweel Aloula Company**.

For KPMG Al Fozan & Partners
Certified Public Accountants

Tareq Abdulrahman Al Sunaid

License No: 419
Al Khobar, February 28, 2019G
Corresponding to: Jumada Al-Akhirah 23, 1440H

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KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Expressed in Saudi Riyals)

	Note	31 December 2018	30 September 2017
ASSETS			
Non-current assets			
Islamic financing receivables	3	**156,440,690**	133,095,822
Intangible assets	4	**1,982,603**	2,643,471
Property and equipment	5	**1,330,036**	1,934,460
Equity investment	6	**892,850**	-
Total non-current assets		**160,646,179**	137,673,753
Current assets			
Cash and cash equivalents	7	**33,355,767**	45,891,493
Current maturity of islamic financing receivables	3	**129,247,074**	124,408,928
Prepayments and other receivables	8	**5,968,524**	2,461,032
Total current assets		**168,571,365**	172,761,453
TOTAL ASSETS		**329,217,544**	310,435,206
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	9	**250,000,000**	250,000,000
Statutory reserve	10	**5,692,086**	3,969,641
Retained earnings		**20,546,753**	34,379,344
TOTAL SHAREHOLDERS' EQUITY		**276,238,839**	288,348,985
LIABILITIES			
Non-current liabilities			
Loans and borrowings	11	**25,665,022**	-
Employees' end of service benefits	12	**3,475,926**	2,121,986
Government grant	11	**1,468,127**	-
Total non-current liabilities		**30,609,075**	2,121,986
Current liabilities			
Loans and borrowings - current portion	11	**13,657,696**	-
Accounts payable	13	**3,573,356**	12,945,052
Due to related parties	14	**1,792,282**	2,941,546
Accrued expenses and other liabilities	15	**2,877,161**	3,335,639
Zakat provision	16	**469,135**	741,998
Total current liabilities		**22,369,630**	19,964,235
TOTAL LIABILITIES		**52,978,705**	22,086,221
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**329,217,544**	310,435,206

Mr. Hani Hassan Abdulah Alafaliq	**Mr. Muhammad Luqman Sharif**	**Mr. Ahmad Abdel Azeem**
Chairman	Chief Executive Officer	Chief Financial Officer

The accompanying notes from 1 to 29 form an integral part of these financial statements.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
INCOME STATEMENT
FOR THE PERIOD FROM 1 OCTOBER 2017 TO 31 DECEMBER 2018
(Expressed in Saudi Riyals)

	Note	For the period from 1 October 2017 to 31 December 2018	For the year ended 30 September 2017
INCOME			
Income from operations			
Financing income	17	**54,943,126**	49,169,916
Income from other activities			
Other income	18	**1,072,219**	1,956,294
Total income		**56,015,345**	51,126,210
EXPENSES			
Finance cost and bank charges	19	**(1,204,130)**	(755,525)
Salaries and other employee related expenses		**(18,896,881)**	(12,080,845)
Insurance expenses for financing activities		**(8,886,701)**	(10,900,893)
Depreciation and amortization		**(1,554,355)**	(942,128)
Rent and premises related expenses		**(1,322,480)**	(902,770)
Other general and administrative expenses	20	**(7,102,439)**	(5,015,644)
Reversal of provision for islamic financing receivables	3	**254,630**	-
Total expenses		**(38,712,356)**	(30,597,805)
INCOME FOR THE PERIOD / YEAR		**17,302,989**	20,528,405
Earnings per share - basic and diluted	21	**0.69**	0.82

The accompanying notes from 1 to 29 form an integral part of these financial statement.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 OCTOBER 2017 TO 31 DECEMBER 2018
(Expressed in Saudi Riyals)

	For the period from 1 October 2017 to 31 December 2018	For the year ended 30 September 2017
Income for the period / year	**17,302,989**	20,528,405
Other comprehensive income		
Items that will not be reclassified to income statement in subsequent periods:		
Re-measurement losses on defined benefit plan – (Note 12)	**(78,537)**	-
Other comprehensive income for the period / year	**(78,537)**	-
Total comprehensive income for the period / year	**17,224,452**	20,528,405

The accompanying notes from 1 to 29 form an integral part of these financial statements.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 OCTOBER 2017 TO 31 DECEMBER 2018
(Expressed in Saudi Riyals)

	Share capital	**Statutory reserve**	**Retained earnings**	**Total**
1 October 2016	250,000,000	1,916,801	16,388,808	268,305,609
Total comprehensive income for the year	-	-	20,528,405	20,528,405
Zakat for the year - Note 16	-	-	(485,029)	(485,029)
Transfer to statutory reserve	-	2,052,840	(2,052,840)	-
30 September 2017	250,000,000	3,969,641	34,379,344	288,348,985
Total comprehensive income for the period	-	-	**17,224,452**	**17,224,452**
Dividends for the period – Note 22	-	-	**(28,922,724)**	**(28,922,724)**
Zakat for the period - Note 16	-	-	**(411,874)**	**(411,874)**
Transfer to statutory reserve	-	**1,722,445**	**(1,722,445)**	-
31 December 2018	**250,000,000**	**5,692,086**	**20,546,753**	**276,238,839**

The accompanying notes from 1 to 29 form an integral part of these financial statements.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 OCTOBER 2017 TO 31 DECEMBER 2018
(Expressed in Saudi Riyals)

	Note	For the period from 1 October 2017 to 31 December 2018	For the year ended 30 September 2017
OPERATING ACTIVITIES			
Income for the period / year		**17,302,989**	20,528,405
Adjustments:			
Depreciation and amortization	4,5	**1,554,355**	942,128
Finance cost and bank charges		**1,204,130**	755,525
Employees' benefits	12	**1,445,318**	544,830
Reversal of provision for islamic financing receivables	3	**(254,630)**	-
Government grant income realised for the period		**(122,343)**	-
Loss on disposal of property and equipment		**7,819**	13,098
		21,137,638	22,783,986
Changes in:			
Islamic financing receivables		**(27,928,384)**	56,513,436
Prepayments and other receivables		**(3,507,492)**	1,198,134
Due to related parties		**(1,149,264)**	(11,300,704)
Accounts payable		**(9,371,696)**	6,514,456
Accrued expenses and other liabilities		**(458,478)**	(926,401)
Cash (used in) / from operating activities		**(21,277,676)**	74,782,907
Employees' benefits paid	12	**(169,915)**	(166,848)
Zakat paid	16	**(684,737)**	(605,435)
Finance cost and bank charges paid		**(718,720)**	(755,525)
Net cash (used in) / from operating activities		**(22,851,048)**	73,255,099
INVESTING ACTIVITIES			
Acquisition of property and equipment	5	**(297,570)**	(309,488)
Acquisition of equity investment		**(892,850)**	-
Proceeds from disposal of property and equipment		**688**	50,507
Net cash used in investing activities		**(1,189,732)**	(258,981)
FINANCING ACTIVITIES			
Dividend paid		**(28,922,724)**	-
Proceeds from loans and borrowings, net		**43,900,000**	-
Repayment of loans and borrowings		**(3,472,222)**	-
Repayment of loans to a shareholder		-	(29,843,635)
Proceeds of loans from a shareholder		-	1,912,960
Net cash from / (used in) financing activities		**11,505,054**	(27,930,675)
Net (decrease) / increase in cash and cash equivalents		**(12,535,726)**	45,065,443
Cash and cash equivalents at beginning of the period / year	7	**45,891,493**	826,050
Cash and cash equivalents at end of the period / year	7	**33,355,767**	45,891,493

The accompanying notes from 1 to 29 form an integral part of these financial statements.

(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 Authority ("SAMA").

The principal activities of the Company are financing lease, consumer finance and productive assets finance.

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

These financial statements contains the following branches, which are operating in various cities in Kingdom of Saudi Arabia under below mentioned commercial registration numbers issued by Ministry of Commerce and Investment:

No	Name of branch	CR No.	CR Date	Registration
1	Tamweel Aloula Company Mubarraz Branch	2252101795	02.06.1439H	Mubarraz
2	Tamweel Aloula Company Al Khobar Branch	2051065442	17.04.1439H	Al Khobar

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
Islamic financing receivables	463,387,079
Provision for islamic financing receivables	(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 had disposed off certain financial assets (islamic financing receivables) 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. (Refer to note 3.7).

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.

During the year ended 30 September 2017, the Board of Directors of the Company had decided to change the accounting period from 30 September to 31 December which was also approved by the shareholders of the Company. Pursuant to this decision, the accounting period of the Company in these financial statements covers fifteen months from 1 October 2017 to 31 December 2018, therefore, the comparative information in these financial statements is not comparable.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements are prepared by the Company;

a) in accordance with 'International Financial Reporting Standards (IFRS) as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of Zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to Zakat and income tax. As per the SAMA Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for Zakat and income tax ("SAMA Circular"), the Zakat and Income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings. Refer note 2.5.8 for the accounting policy of zakat and income tax.

b) in compliance with the provisions of Regulations of the Finance Companies Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws.

2.2 Basis of preparation

The Company has prepared these financial statements under the historical cost convention on the accrual basis of accounting, except for liability for employees' end of service benefits is recognised at the present value of future obligations using the Projected Unit Credit Method and equity investment which is recognized at fair value through profit or loss.

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

2.3 Significant accounting estimates and assumptions

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

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

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

a) Determining the useful lives of property and equipment (Note 2.5.1);
b) Determining the useful lives of intangibles assets (Note 2.5.2);
c) Impairment of financial assets (Note 2.5.3);
d) Zakat (Note 2.5.8 and Note 16);
e) Employees' end of service benefits (Note 2.5.14 and Note 12);
f) Impairment of non-financial assets (Note 2.5.15)
g) Measurement of fair values (Notes 2.5.4)

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

2.3 Significant accounting estimates and assumptions (continued)

Useful lives of property and equipment and intangible assets
Management determines the estimated useful lives of property and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges and amortisation charges, if any, are adjusted in current and future periods.

Impairment of financial assets

From 1 January 2018 - Financial instruments
Under IFRS 9, the Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost. The Company measures loss allowances at an amount equal to lifetime ECL. Loss allowances for islamic financing receivables are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in doubtful when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is 90 days or more past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Before 1 January 2018 - Financial instruments
The measurement of impairment losses under IAS 39 across all categories of financial assets requires judgement. The Company reviews its Islamic financing receivables on a monthly basis to assess whether specific allowances for impairment should be recorded in the income statement. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowances required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such allowances. In addition to specific allowances against individually significant islamic financing receivables, the Company also makes a collective impairment allowance against islamic financing receivables which although not specifically identified as requiring a specific allowance have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal grade of the exposure since it was granted. The amount of the allowance is based on the historical loss pattern for islamic financing receivables within each grade and is adjusted to reflect current economic changes. Islamic financing receivables are charged off, when in the opinion of management, the likelihood of any future collection is believed to be minimal.

Zakat
The Company is subject to Zakat in accordance with the General Authority of Zakat and Income Tax ("GAZT") regulations. Zakat computation involves relevant knowledge and judgment of the Zakat rules and regulations to assess the impact of Zakat liability at a particular period end. This liability is considered an estimate until the final assessment by GAZT is carried out until which the Company retains exposure to additional Zakat liability.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

Employees' end of service benefits

The cost of end of service defined benefit and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

All assumptions are reviewed at the statement of financial position date. The parameter most subject to change is the discount rate. The discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds with a duration similar to the duration of the liabilities. The discount rate is derived with reference to US dollar market yields, as there are few corporate bonds denominated in Saudi Riyals. The average duration of liability cash flows is around 7.1 years. 100% of SLIC (2001-2005) rated is used as a basis of mortality. The mortality curve is taken as a base and adjusted for expected mortality experience.

Measurement of fair values

Company's accounting policies and disclosures require the measurement of fair values, for financial assets and liabilities.

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 (i.e. an exit price).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised 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 in 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the statement of financial position period during which the change has occurred.

Impairment of Non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 2.6.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

2.4 Standard, new pronouncements and interpretations

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

The following are new or amended standards adopted during the period which did not have significant impact on the financial statements:

- Transfers of Investment Property (Amendments to IAS 40) effective for annual periods on or after 1 January 2018.
- Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 1 and IAS 28) effective for annual periods on or after 1 January 2018.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration effective for annual periods on or after 1 January 2018.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) effective for annual periods on or after to be determined.
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4).

In addition to the above, IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" are applicable from 1 January 2018. Changes to significant accounting policies are described in Note 2.6.

b) Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2019 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 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 early adopt the following new and amended standards and interpretations issued which will become effective for the periods commencing after 1 January 2019.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) effective for annual periods on or after to be determined.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Uncertainty over Income Tax Treatments (IFRIC 23).

IFRS 16 – 'Leases'
The IASB published the new standard on leasing, IFRS 16, on 13 January 2016. The rules and definitions of IFRS -16 will replace:

- IAS 17 - 'Leases'
- IFRIC 4 - 'Whether an arrangement contains a lease'
- SIC 15 - 'Operating leases – Incentives'
- SIC 27 - 'Evaluating the substance of transactions involving the legal form of a lease'

The standard requires an accounting model for a lessee that recognizes all assets and liabilities from leasing agreements in the statement of financial position, unless the term is twelve months or less or the underlying asset is of low value. As for the lessor, the new standard substantially carries forward the lessor accounting requirement of IAS 17 Leases.

The new standard will be effective for annual periods beginning on or after 1 January 2019, early application is permitted and must be disclosed. The Company will adopt the new standard on the effective date. The Company is currently assessing the impact on the Company's financial statements.

(Expressed in Saudi Riyals)

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

2.5 Significant accounting policies are set out below:

The accounting policies applied in these financial statements are as those applied in the Company's financial statements for the year ended 30 September 2017 and have been consistently applied for all periods presented, except for changes in accounting policies mentioned in Note 2.6.

The Company has adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. The impact and disclosures pertaining to adoption of these standards have been illustrated in later part of these financial statements.

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

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized and the asset so replaced is retired from use. All other repairs and maintenance expenditures are charged to the income statement during the period in which they are incurred.

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

	Years
Leasehold improvements	5
Office furniture and fixtures	4
Information technology equipment	4-5

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment, if any, are taken to the income statement in the period in which they arise. The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each financial position date.

2.5.2 Intangible assets
Intangible assets, including Enterprise Resources Planning (“ERP”) software acquired by the Company and have finite useful live and is measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in income statement. Amortization methods, useful lives and residual values are reviewed at each statement of financial position date and adjusted if appropriate.

During the year, the Company has revised its accounting estimate relating to the useful life of intangibles assets reducing the useful life from ten to seven years and impact of this revision has been recognized in income statement for the current period. Had there been no change in the accounting estimate the income for the current period would have been higher by SR 0.26 million and the carrying amount of this item of intangibles assets would have been higher by same amount. The change in accounting estimate will decrease the income for the future periods by SR 0.7 million.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

2.5 Significant accounting policies are set out below (Continued):

2.5.3 Financial instruments

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

Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

i) Financial asset

Classification and subsequent measurement

Financial assets - Policy applicable from 1 January 2018

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. The Company does not have any financial assets that are designated at fair value through other comprehensive income (FVOCI).

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

2.5 Significant accounting policies are set out below (Continued):

2.5.3 Financial instruments (Continued)
Classification and subsequent measurement (Continued)

***Financial assets - Policy applicable from 1 January 2018* (Continued)**

Business model assessment (Continued)
Transfer of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for the purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly purchased financial assets going forward. Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. 'interest ' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers;

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised income statement. Any gain or loss on derecognition is recognised in income statement.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in statement of comprehensive income and are never reclassified to income statement.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

2.5 Significant accounting policies are set out below (Continued):

2.5.3 Financial instruments (Continued)
Classification and subsequent measurement (Continued)

***Financial assets - Policy applicable before 1 January 2018* (Continued)**

The Company classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

Financial assets - Subsequent measurement and gains and losses:

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income were recognised in income statement.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, inte income and foreign currency differences on debt instruments, were recognised statement of comprehensive income and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity reclassified to income statement.

ii) Financial liabilities

Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in income statement. Other financial liabilities (including loans and borrowings and accounts and other payables) are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange losses are recognized in income statement. Any gain or loss on derecognition is also recognized in income statement.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

2.5 Significant accounting policies are set out below (Continued):

2.5.3 Financial instruments (Continued)

iii) Derecognition

Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of the financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognized) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in income statement. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized on fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non- cash assets transferred or liabilities assumed) is recognized in income statement.

iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gain and losses from financial instruments at FVTPL and foreign exchange gains and losses.

v) Impairment of financial assets

Policy applicable from 1 January 2018 - Financial instruments

IFRS 9 replaces the 'incurred loss' model with an 'expected credit loss' model (ECL). IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. Under IFRS 9, credit losses are recognized earlier than under previous accounting standard.

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for islamic financing receivables. To measure the expected credit losses, islamic financing receivables have been grouped based on shared credit risk characteristics and the days past due.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the ECL's, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

2.5 Significant accounting policies are set out below (Continued):

2.5.3 Financial instruments (Continued)

v) Impairment of financial assets (Continued)

***Policy applicable from 1 January 2018 - Financial instruments* (Continued)**

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligation to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is 90 days or more past due.

Life time ECLs are the ECLs that result from default events over the expected life of a financial instrument. The Maximum credit period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of Expected Credit Losses:
ECLs are a probability – weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i-e the difference between the cash flows due to the entity in accordance with the contract and cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI (if any) are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- due to significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a islamic financing receivables by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write off
The company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is sufficient evaluation that collection will not be possible, for example when counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in income statement.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

2.5 Significant accounting policies are set out below (Continued):

2.5.3 Financial instruments (Continued)

v) Impairment of financial assets (Continued)

Policy applicable before 1 January 2018 - Financial instruments

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost.

Financial assets at amortised cost

The Company considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in income statement and reflected in an allowance account. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through income statement.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve to income statement. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in income statement. If the fair value of an impaired available-for-sale security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through income statement. Impairment losses recognised in income statement for an investment in an equity instrument classified as available-for-sale were not reversed through income statement.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

2.5 Significant accounting policies are set out below (Continued):

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

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

When available, the Company measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Company measures instruments quoted in an active market as per the official closing price in the related stock exchange where the instrument is traded.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

2.5.5 Islamic financing receivables
Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees such transfers are classified as islamic financing receivables. Islamic financing receivables are recorded at the lower of the fair value of the financing asset and the present value of the minimum payments. The Company provides the following services:

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

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

2.5.6 Operating leases
An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

2.5 Significant accounting policies are set out below: (Continued):

2.5.7 Other provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimates.

2.5.8 Zakat

Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Income Tax (the "GAZT") in the Kingdom of Saudi Arabia and on accrual basis. Zakat is accrued on a quarterly basis through shareholders' equity under retained earnings.

2.5.9 Expenses

Expenses are recognized in the statement of income and statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over the accounting period. Expenses are presented using the nature of expense method.

2.5.10 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks, cash on hand and short-term deposits with a maturity of three months or less, net of outstanding bank overdrafts which are subject to an insignificant risk of changes in value.

2.5.11 Functional and presentation currency

The financial statements are presented in Saudi Riyals ("SR") which is also the functional currency of the Company.

2.5.12 Proposed dividend and transfer between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the statement of financial position date are considered as non-adjusting events and are recorded in the financial statements in the year in which they are approved and transfers are made.

2.5.13 Income recognition

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement. Service fees charged in respect of processing and other services are recognized as income when the right to invoice is established on the completion of the performance obligation. Other income is recognized when earned.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

2.5 Significant accounting policies are set out below (Continued):

2.5.14 Employees' end of service benefits

The Company is operating an unfunded end of service defined benefit plan which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in statement of comprehensive income. Such actuarial gains and losses are also immediately recognized and are not reclassified to income statement in subsequent periods. Re-measurements are not reclassified to income statement in subsequent periods.

Past service costs are recognized in income statement on the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the following changes in the net defined benefit obligation under 'salaries and other employee related expenses' in the income statement:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

The defined benefit liability comprises the present value of the defined benefit obligation, less past service costs.

2.5.15 Impairment of assets

Non-financial assets:
At each reporting date, the company reviews the carrying amounts of its non- financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
For impairment testing, assets are grouped together into smallest group of assets that generated cash inflows from continuing use that are largely independent of cash inflows of other assets.

The recoverable amount of an asset is greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre- tax discount rate based on the estimated future cash flows, discounted their present value using a pre-tax discount rate the reflects current market assessment of the time value of money and the risks specific to the assets.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in income statement. They are allocated first to reduce the carrying amount of any goodwill (If any), and then reduce the carrying amount of other assets on pro rata basis. An impairment loss in respect of goodwill is not reversed, for other assets, an impairment less is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

2.5 Significant accounting policies are set out below (Continued):

2.5.16 Accounting for government grants and disclosure of government assistance

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant and is recognised in income statement on a systematic basis over the period in which the entity recognises as expense the related costs which the grants is intended to compensate.

2.5.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

2.5.18 Statutory reserve

As required by Regulations for Companies and the Company's By-laws, 10% of the income for the period should be transferred to the statutory reserve. This reserve is not available for distribution. As per the By-laws, the Company may resolve to discontinue such transfers when the reserve totals 30% of the capital.

2.5.19 Foreign currency translation

Transactions in foreign currencies are translated at the rates of exchange prevailing at the dates of the respective transactions. At statement of financial position date, monetary assets and liabilities in foreign currencies are translated to Saudi Arabian Riyals at the prevailing exchange rates. Gains and losses resulting from changes in exchange rates are recognized as income or expense. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction are not retranslated at statement of financial position date.

2.6 Change in accounting policies

The Company has adopted IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" from 1 January 2018.

IFRS – 15 Revenue from contracts with customers

The International Accounting Standard Board (IASB) published the new standard on revenue recognition, IFRS 15 "Revenue from contracts with customer" on 28 May 2014. The rules and definitions of IFRS 15 supersede the contents of IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programs". The revised standard particularly aims to standardize existing regulations and thus improve transparency and the comparability of financial information. The Company has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for previous year has not been restated, as previously reported, under IAS 18 and related interpretations.

(Expressed in Saudi Riyals)

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION (CONTINUED)

2.6 Change in accounting policy (Continued):

IFRS – 15 Revenue from contracts with customers (Continued)
IFRS - 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customer. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized when the entity satisfies a performance obligation by transferring promised goods or services to a customer. An asset is transferred when control is transferred that is either over time or at a point in time.

The Company recognises the revenue for islamic financing services as per IAS 17. Consequently, there are no material and reportable changes due to its transition to IFRS 15.

IFRS – 9 Financial instruments
On 24 July 2014, the IASB issued the final version of IFRS 9, concluding the multiyear project to replace IAS 39 – Financial Instruments "Recognition and Measurement". IFRS 9 contains new requirements for the classification and measurement of financial instruments, fundamental changes regarding the accounting treatment of financial assets impairments, and a reformed approach to hedge accounting. Based on the decision of the Board of Directors, the Company has changed the financial year end from September 30 to December 31 hence, the management decided to apply IFRS 9 financial instruments starting from 1 January 2018 as required by the standard. Accordingly, IFRS 9 – Financial Instruments has been applied to these financial statements.

Transition
The effect of adopting IFRS 9 on the carrying amounts of financial assets and financial liabilities at 1 January 2018 relates solely to the new impairment requirements and investment classification, as described further below. The following table below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Company's financial assets and financial liabilities as at 1 January 2018.

Financial instruments	Original classification under IAS 39	New Classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Islamic financing receivables	Loans and receivables measured at amortized cost	Amortized cost	260,383,860	260,383,860
Investment – FVTPL	Available for sale investment	Fair value through profit and loss	892,850	892,850
Cash and cash equivalents	Loans and receivables measured at amortized cost	Amortized cost	60,988,646	60,988,646
Financial liabilities				
Accounts payable	Financial liabilities measured at amortized cost	Amortized cost	18,529,635	18,529,635
Due to related parties	Financial liabilities measured at amortized cost	Amortized cost	11,590,435	11,590,435

Islamic financing receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. The impact on the allowance for impairment over these receivables was not recognised in the opening retained earnings at 1 January 2018 on transition to IFRS 9 as the amount was not material.

(Expressed in Saudi Riyals)

3. ISLAMIC FINANCING RECEIVABLES

	31 December 2018	30 September 2017
Islamic financing receivables	**327,420,339**	279,583,735
Residual value	**35,040,956**	59,328,512
Gross islamic financing receivables	**362,461,295**	338,912,247
Unearned financing income	**(63,904,807)**	(68,284,143)
Net islamic financing receivables	**298,556,488**	270,628,104
Provision for islamic financing receivables	**(12,868,724)**	(13,123,354)
	285,687,764	257,504,750
Current maturity	**(129,247,074)**	(124,408,928)
	156,440,690	133,095,822

3.1 The movement in the provision for islamic financing receivables during the period/year was as follows

	31 December 2018	30 September 2017
Opening balance for the period / year	**13,123,354**	13,123,354
Reversal during the period / year	**(254,630)**	-
Closing balance for the period / year	**12,868,724**	13,123,354

3.2 Islamic financing receivables includes amount due from a shareholder, Al Kifah for Building Materials Company, amounting to SR 9.39 million (30 September 2017: SR nil) and SR 14.97 million (30 September 2017: SR nil) in current and non-current maturities, respectively. Islamic financing receivables also includes amount due from another shareholder, Al Kifah Contracting Company, amounting to SR 6.99 million (30 September 2017: SR nil) and SR 18 million (30 September 2017: SR nil) in current and non-current maturities, respectively.

3.3 As at 30 September 2017, the outstanding islamic financing receivables were SR 257.50 million and the provision for islamic financing receivables was SR 13.12 million. Out of these past due islamic financing receivables and related gross balances SR 104.07 million were past due for a period of six months or less SR 16.11 million were past due for a period of more than six months but less than twelve months and SR 13.82 million were past due more than one year. Information about Company's exposure to credit and market risks, and impairment losses for financing receivables is included in note 26.

3.4 The maturity of the gross islamic financing receivables as at 31 December 2018 is as follows:

	Gross islamic financing receivables	**Unearned financing income**	**Net islamic financing receivables**
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**
	362,461,295	**(63,904,807)**	**298,556,488**

The maturity of the gross islamic financing receivables as at 30 September 2017 is as follows:

	Gross islamic financing receivables	Unearned financing income	Net islamic financing receivables
Not later than one year	174,280,854	(36,748,572)	137,532,282
Later than one year but not later than five years	164,631,393	(31,535,571)	133,095,822
	338,912,247	(68,284,143)	270,628,104

(Expressed in Saudi Riyals)

3. ISLAMIC FINANCING RECEIVABLES (CONTINUED)

3.5 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 equipments.

3.6 Islamic financing receivables includes murabha contracts amounting to SR 2.7 million as at 31 December 2018 (30 September 2017: SR 1.6 million).

3.7 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.

3.8 As at 31 December 2018, 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 39 million (30 September 2017: SR 146 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.

4. INTANGIBLE ASSETS

	31 December 2018	30 September 2017
Cost:		
Balance at the beginning of the period / year	**3,160,067**	3,160,067
Balance at the end of the period / year	**3,160,067**	3,160,067
Accumulated amortization:		
Balance at the beginning of the period / year	**516,596**	195,833
Charged during the period / year	**660,868**	320,763
Balance at the end of the period / year	**1,177,464**	516,596
Net book value:		
31 December 2018	**1,982,603**	-
30 September 2017	-	2,643,471

Intangible balance represents the cost of Enterprise Resources Planning ("ERP") software.

During the year, the Company has revised its accounting estimate relating to the useful life of intangibles assets reducing the useful life from ten to seven years and impact of this revision has been recognized in income statement for the current period. Had there been no change in the accounting estimate the income for the current period would have been higher by SR 0.26 million and the carrying amount of this item of intangibles assets would have been higher by same amount. The change in accounting estimate will decrease the income for the future periods by SR 0.7 million.

(Expressed in Saudi Riyals)

5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Office furniture and fixtures	Information technology equipment	Total 2018	Total 2017
Cost:					
Balance at the beginning	1,736,934	552,452	858,100	3,147,486	3,050,996
Additions	**44,590**	**161,864**	**91,116**	**297,570**	309,488
Disposals	-	**(19,140)**	**(3,420)**	**(22,560)**	(212,998)
Balance at the end	**1,781,524**	**695,176**	**945,796**	**3,422,496**	3,147,486
Accumulated depreciation:					
Balance at the beginning	580,402	287,583	345,041	1,213,026	741,054
Charge for the period / year	**432,712**	**186,410**	**274,365**	**893,487**	621,365
Disposals	-	**(11,495)**	**(2,558)**	**(14,053)**	(149,393)
Balance at the end	**1,013,114**	**462,498**	**616,848**	**2,092,460**	1,213,026
Net book value:					
31 December 2018	**768,410**	**232,678**	**328,948**	**1,330,036**	-
30 September 2017	1,156,532	277,507	357,679	-	1,934,460

6. EQUITY INVESTMENT

Based on the instructions of Saudi Arabian Monetary Authority "SAMA" in the month of December 2017 a new entity was incorporated to register the leasing contracts in the Kingdom of Saudi Arabia called "Saudi for leasing registration" ("the Investee"). SAMA instructed all leasing companies and banks to contribute to the capital of the new investee. The Company contributed **SR 892,850**, towards 89,285 shares (2% of total shares) and paid the amount in December 2017. Investment has been classified as fair value through profit and loss (FVTPL).

7. CASH AND CASH EQUIVALENTS

	31 December 2018	30 September 2017
Cash at banks	**33,355,718**	21,725,662
Cash in hand	**49**	165,831
Short term deposit	-	24,000,000
	33,355,767	45,891,493

8. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2018	30 September 2017
Insurance claims	**2,055,024**	684,684
Prepayments	**1,522,559**	76,530
Claims receivables from customers	**1,467,700**	1,467,025
Advance to suppliers	**804,004**	-
Staff loans and custody	**45,356**	232,793
Others	**73,881**	-
	5,968,524	2,461,032

(Expressed in Saudi Riyals)

9. SHARE CAPITAL

The Company's authorized and paid up share capital of SR 250 million (30 September 2017: SR 250 million) is divided into 25 million (2017: 25 million) equity shares of SR 10 each. The pattern of shareholding as of 31 December 2018 and 30 September 2017 is as follows:

	Percentage of 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 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

10. STATUTORY RESERVE

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia, the Company has established a statutory reserve by appropriation of 10% of net income until the reserve is equal to 30% of the share capital.

11. LOANS AND BORROWINGS

The loans and borrowings of the Company as of 31 December 2018 and 30 September 2017 is as follows:

	Maturity	Face value 2018	Carrying amount 2018	2017
Current portion of loans and borrowings				
Tawarruq Financing	2021	8,333,333	7,839,291	-
Term loan	2021	6,666,667	5,818,405	-
		15,000,000	13,657,696	-

	Maturity	Face value 2018	Carrying amount 2018	2017
Non-current portion of loans and borrowings				
Tawarruq Financing	2021	13,194,445	12,876,803	-
Term loan	2021	13,333,333	12,788,219	-
		26,527,778	25,665,022	-

Aggregate maturities of the long term loans at 31 December 2018 and 30 September 2017 were as follows:

	2018	2017
2019	13,657,696	-
2020	14,255,018	-
2021	11,410,004	-
	39,322,718	-

Tawarruq Financing

During the period, the Company obtained Tawarruq financing facility from a local commercial bank amounting to SR 100 million. The Company has withdrawn first tranche of SR 25 million as per the loan agreement to finance the purchase of assets for leasing services. The facility is repayable in 36 equal monthly installments which commence from August 2018. The loan carries interest at market rate (SIBOR plus margin) and is secured with personal and corporate guarantees. The loan agreement includes covenants to maintain financial ratios during the facility term.

Term Loan

During the period, the Company obtained long term loan from a local government bank amounting to SR 20 million to finance the purchase of assets for leasing to small and medium sized enterprises. The facility is repayable in 36 equal monthly installments commencing from January 2019. The loan agreement does not include any covenants to maintain financial ratios during the term of the loan. The loan is carried at fair value using internal rate of return equivalent to the commercial market rate. The difference of carrying amount and face value amounted to SR 1.47 million, as at 31 December 2018, is treated as government grant in accordance with Company's policy (Refer note 2.5.16).

(Expressed in Saudi Riyals)

12. EMPLOYEES' END OF SERVICE BENEFITS

Post employments benefits

The Company has a post-employment defined benefit plan in accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements. The Company recognized the benefits in the income statement. Up to the last year, the Company recognized this liability without conducting actuarial valuation as the management believed that the impact will not be material. However, during the year the Company carried out actuarial valuation for the period and year ended 2018 and 2017 through an external expert. Consequently, additional charge for prior year amounting to SR 0.6 million as determined based on actuarial valuation was not considered significant by management and has been recognized during the period. Accordingly, the Company has not restated the comparative balance for this amount.

The following table summarizes the components of the net benefit expense recognized in the income statement and statement of comprehensive income and amounts recognized in the statement of financial position.

Net benefit expense recognised in income statement:

	For the period from 1 October 2017 to 31 December 2018
Current service cost for the period	**731,454**
Interest cost on benefit obligation for the period	**107,392**
	838,846

Amount chargeable to statement of comprehensive income:

	For the period from 1 October 2017 to 31 December 2018
Re-measurement (gains) and losses on obligation	
Gain due to change in financial assumptions	**(212,631)**
Loss due to change in demographic assumptions	**291,168**
	78,537

Movement in the present value of defined benefit obligation:

	31 December 2018	30 September 2017
Balance at the beginning of the period / year	**2,121,986**	1,744,004
Current service cost for the period / provision for the year	**731,454**	544,830
Interest cost for the period	**107,392**	-
Prior period adjustments	**606,472**	-
Actuarial loss on the obligation	**78,537**	-
Benefits paid during the period / year	**(169,915)**	(166,848)
Balance at the end of the period / year	**3,475,926**	2,121,986

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	31 December 2018
Discount rate	**4.10%**
Future salary increase	**3.00%**
Mortality rates	**SLIC (2001-2005)**
Rates of employee turnover	**High**

(Expressed in Saudi Riyals)

12. EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)

Mortality rates assumptions:
100% of SLIC (2001-2005) rated was used as a basis of mortality. The mortality curve was taken as a base and adjusted for expected mortality experience.

Sensitivity analysis on significant actuarial assumptions
A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligation as at the period / year end is shown below:

Assumptions

	Defined benefit obligation as at 2018	
Sensitivity analysis	**1.0% Increase**	**1.0% Decrease**
Discount rate	**3,255,008**	**3,728,760**
Future salary increase	**3,729,021**	**3,250,755**

	Defined benefit obligation as at 2018	
	10% Increase	**10% Decrease**
Mortality	**3,476,081**	**3,475,770**
Employee turnover rate	**3,459,886**	**3,491,590**

The sensitivity analyses above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the financial position period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The average duration of the defined benefit obligation at the end of the reporting period is 7.1 years.

13. ACCOUNTS PAYABLE

These represent non-interest bearing payables against purchase of assets under islamic financing arrangement by the Company. The average credit period on purchase of assets from certain suppliers is less than one month.

14. RELATED PARTY TRANSACTIONS AND BALANCES

The Company transacts business with its related parties, which include Al Kifah Holding Company (parent company), affiliated companies, other entities in which the principal shareholder has share of interest and key management personnel. Terms and conditions of such transactions are approved by the Company's management. Following are the related parties of the Company and the amounts of significant transactions:

	For the period from 1 October 2017 to 31 December 2018	For the year ended 30 September 2017
Al Kifah Holding Company – a shareholder		
Repayment of loan	-	(29,843,635)
Loan from a shareholder	-	1,912,960
Zakat paid on behalf of the Company	**684,737**	605,435
Value added tax paid on behalf of the Company	**729,495**	-
Payment made against value added tax paid on behalf of the Company	**(476,018)**	-
Payment made against zakat paid on behalf of the Company	**(605,435)**	-
Advertising expenses	**438,592**	-
Amount paid against advertising expenses	**(407,310)**	-
Services provided and assets purchased	**2,207,360**	-
Amounts paid against services and assets purchased	**(1,874,977)**	-

(Expressed in Saudi Riyals)

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions (Continued):

	For the period from 1 October 2017 to 31 December 2018	For the year ended 30 September 2017
Al Kifah for Building Materials Company (Al Kifah Building Equipment Branch) - a shareholder		
Heavy machinery and equipment sales financed by the Company	**62,691,563**	36,857,151
Amount paid against machinery and equipment financed	**(64,944,424)**	(48,742,040)
Assets provided on islamic financing to the shareholder (note 3.2)	**24,366,524**	-
Amount collected against islamic financing receivables	**7,375,000**	-
Al Kifah Real Estate Company – other related party		
Annual rent for the Company's head office	**1,866,667**	850,000
Rent paid by the Company	**(1,866,667)**	(850,000)
Services provided	**415,896**	-
Amounts paid against services	**(413,426)**	-
Al Kifah Contracting Company – a shareholder		
Amount due against construction of new office	-	213,647
Amount paid against construction of new office	-	(213,647)
Heavy machinery and equipment sales financed by the Company	**41,666,668**	-
Amount paid against machinery and equipment financed	**(41,666,668)**	-
Assets provided on islamic financing to the shareholder (note 3.2)	**25,000,000**	-
Al Kifah Information Technology Company - other related Party		
Information technology fee	**1,172,072**	674,309
Amount paid against Information technology fee	**(753,777)**	(674,309)
Al Kifah Trading Company - a shareholder		
Assets purchased for the purpose of islamic financing	**2,104,318**	14,819,894
Amount paid against assets purchased	**(2,104,318)**	(14,903,644)
Management fee received by the Company	**(150,000)**	-
Management fee paid to the Company	**198,888**	-
Al Kifah for Shore Advisory Services - other related party		
Services taken in respect of consultancy and advisory	**600,000**	250,000
Amount paid against services	**(662,500)**	(187,500)

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

Due to related parties:	**31 December 2018**	30 September 2017
Al Kifah Holding Company	**1,301,879**	605,435
Al Kifah Information Technology Company	**418,295**	-
Al Kifah Trading Company	**48,888**	-
Al Kifah for Building Materials Company	**20,750**	2,273,611
Al Kifah Real Estate Company	**2,470**	-
Al Kifah for Shore Advisory Services	-	62,500
	1,792,282	2,941,546

(Expressed in Saudi Riyals)

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

Transactions:	31 December 2018	30 September 2017
Compensation of key management executives	2,685,323	902,167
Directors' meeting attendance fee paid	24,000	39,000
	2,709,323	941,167

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2018	30 September 2017
Advance from customers	1,227,961	993,353
Accrued expenses	1,184,085	2,261,625
Others	465,115	80,661
	2,877,161	3,335,639

16. ZAKAT

a) Charge for the year

i) Zakat charge for the period / year ended comprises of the following:

	For the period from 1 October 2017 to 31 December 2018	For the year ended 30 September 2017
Charge for the period / year	411,874	741,998
Prior period over charge reversal	-	(256,969)
	411,874	485,029

ii) The significant components of Zakat base for the Company are as follows:

	31 December 2018	30 September 2017
Share capital	250,000,000	250,000,000
Current assets	168,571,365	172,761,453
Non-current assets	160,646,179	137,673,753
Current liabilities	22,369,630	19,964,235
Non-current liabilities	30,609,075	2,121,986
Income for the period / year	17,302,989	20,528,405
Dividends	28,922,724	-

Some of these amounts have been adjusted in arriving at Zakat charge for the period / year.

b) Provision for Zakat

The movement in provision for Zakat during the period / year ended is as follows:

	31 December 2018	30 September 2017
Balance at beginning of the period / year	741,998	862,404
Prior period over charge reversal	-	(256,969)
Add: Charge for the period / year	411,874	741,998
Less: Payments during the period / year	(684,737)	(605,435)
Balance at end of the period / year	469,135	741,998

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

c) Status of assessments

Al Kifah Holding and its subsidiaries (the Group) management has filed Zakat and Income tax returns with the General Authority of Zakat and Tax (GAZT) on behalf of the Company as part of the Group's consolidated return for the year ended 30 September 2017 and all assessments are under name of Al Kifah Holding. The Company has obtained its Zakat certificate which was valid up to 30 January 2019.

(Expressed in Saudi Riyals)

17. FINANCING INCOME

Finance income includes SR 3.8 million (2017: SR 4.9 million) related to administration fee and other services.

18. OTHER INCOME

	For the period from 1 October 2017 to 31 December 2018	For the year ended 30 September 2017
Income from Human Rescources Development Fund	**466,511**	217,817
Income from term deposit	**233,183**	23,267
Management fee	**150,000**	120,000
Others	**222,525**	1,595,210
	1,072,219	1,956,294

19. FINANCE COST AND BANK CHARGES

	For the period from 1 October 2017 to 31 December 2018	For the year ended 30 September 2017
Finance cost on loans and borrowings	**953,135**	-
Bank charges	**250,995**	294,648
Special commission on loan from a shareholder	**-**	460,877
	1,204,130	755,525

20. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the period from 1 October 2017 to 31 December 2018	For the year ended 30 September 2017
Governmental licenses and fees	**1,365,359**	1,410,753
Professional and consulting fees	**1,346,944**	1,273,450
Advertising expenses	**1,076,302**	539,797
Services charges	**1,062,292**	308,768
Utilities expenses	**808,061**	634,364
Office supplies	**397,031**	132,730
Visa, permits and licenses	**179,108**	259,806
Travel and transportation expenses	**163,609**	137,446
Repair and maintenance	**139,190**	39,060
Cleaning expenses	**103,336**	71,122
Others	**461,207**	208,348
	7,102,439	5,015,644

21. BASIC AND DILUTED EARNINGS PER SHARE

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

	For the period from 1 October 2017 to 31 December 2018	For the year ended 30 September 2017
Income for the period / year	**17,302,989**	20,528,405
Weighted average number of ordinary shares	**25,000,000**	25,000,000
Earnings per share - basic and diluted	**0.69**	0.82

(Expressed in Saudi Riyals)

22. DIVIDENDS

On 10 May 2018, the shareholders have approved distribution of cash dividends amounting to SR 12,500,000 (SR 0.50 per share) and SR 16,422,724 (SR 0.66 per share) against earnings of years 2016 and 2017, respectively, as recommended by the Board of Directors and approved by SAMA. The Company has distributed and paid these dividends during the period.

23. OPERATING LEASE AGREEMENTS

Operating lease payments represent rental payable by the Company for its premises for a period from 1 to 5 years. Expense recognized for the period / year ended and commitments for minimum lease payments under non-cancelable operating leases are as follows:

	For the period from 1 October 2017 to 31 December 2018	For the year ended 30 September 2017
Payments under operating lease recognized as expense during the period / year	**1,322,480**	902,770
Commitments:		
Within one year	**799,217**	928,650
Between two and five years	**30,250**	90,750

24. SEGMENT REPORTING

A segment is a distinguishable component that is engaged in providing islamic financing (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.

25. CONTINGENCIES AND COMMITMENT

The Company has no significant commitments or contingent liabilities as at 31 December 2018 (30 September 2017: Nil).

26. 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.

26.1 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.

26. RISK MANAGEMENT (CONTINUED)

Financial assets

	31 December 2018	30 September 2017
Financial assets measured at fair value:		
Equity investments	**892,850**	-
Total financial instruments at fair value	**892,850**	-
Financial assets measured at amortized cost:		
Net islamic financing receivables	**285,687,764**	257,504,750
Bank balances and short term deposit	**33,355,718**	45,891,493
Other receivables	**4,455,415**	2,384,502
Total financial assets at amortized cost	**323,498,897**	305,780,745
Total financial assets	**324,391,747**	305,780,745

Financial liabilities
Financial liabilities measured at amortized cost

	31 December 2018	30 September 2017
Loans and borrowings	**39,322,718**	-
Accounts payable	**3,573,356**	12,945,052
Accrued expenses and other liabilities	**2,877,161**	-
Due to related parties	**1,792,282**	2,941,546
Total financial assets at amortized cost	**47,565,517**	15,886,598

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

26.2 Market risk

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

Market risk comprises of four types of risk: currency risk, other price risk, special commission rate risk and credit risk.

26.2.1 Interest rate risk

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 and fixed interest rates.

Interest rate sensitivity

At 31 December 2018 the Company had variable interest bearing financial liabilities of SR 20.72 million (2017: Nil), had the interest rates varied by 50 basis points (2017: Nil basis points) with all the other variables held constant, income for the period would have been lower / higher by approximately SR 0.12 million (2017: Nil), mainly as a result of higher / lower interest expense on floating rate borrowings.

26.2.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial assets will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried in Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations as the majority of the monetary assets and liabilities are in Saudi Riyals or currencies which are pegged to the Saudi Riyal and consequently the Company does not hedge its foreign currency exposure.

(Expressed in Saudi Riyals)

26. RISK MANAGEMENT (CONTINUED)

26.2.3 Other price risk

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

26.3 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.

	31 December 2018	30 September 2017
Net islamic financing receivables	**285,687,764**	257,504,750
Other receivables	**4,455,415**	2,384,502
Bank balances and short term deposit	**33,355,718**	45,725,662
	323,498,897	305,614,914

Out of the total assets of SR 329 million the assets which were subject to credit risk amounted to SR 323 million as at 31 December 2018 (2017: SR 305 million).

26.3.1 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 scaler factors to reflect differences between economic conditions, current conditions and the Company's' view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs for islamic financing receivable as at 31 December 2018:

31 December 2018	**Weighted average loss rate**	**Gross carrying amount**	**Net carrying amount**	**Loss allowance**	**Credit impaired**
Corporates	1.80%	179,432,301	156,217,673	2,809,471	No
Small and medium sized Enterprises	0.64%	44,101,097	36,323,224	234,083	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	87.63%	3,910,119	3,380,254	2,962,164	Yes
		362,461,295	300,159,519	12,868,724	

26. RISK MANAGEMENT (CONTINUED)

26.3 Credit risk (Continued)

26.3.1 Expected credit loss assessment for Islamic financing receivable balances (Continued)

As at 31 December 2018, the outstanding islamic financing receivables were SR 285.69 million and the provision for islamic financing receivables was SR 12.87 million. Out of these past due islamic financing receivables and related gross balances, SR 78.19 million were past due for a period of six months or less, SR 4.63 million were past due for a period of more than six months but less than twelve months and SR 15.59 million were past due more than one year.

The Company as at 31 December 2018 has an provision of SR 12.87 million as specific provision against past dues. In addition, islamic financing receivables are secured against financed assets.

The credit quality of Company's bank balances are assessed with reference to external credit ratings which all are above investment grade rating.

26.3.2 Geographical segment analysis

The Company's operations are restricted to Kingdom of Saudi Arabia only.

26.3.3 Collateral held as security and other credit enhancements

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with the Islamic financing receivables, is mitigated because the Islamic financing receivables is secured against financed assets.

26.3.4 Bank balances and other receivables

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

26.3.5 Concentration risk

Concentrations of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The Company manages its credit risk exposure through diversification of leasing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

26.4 Liquidity risk

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

(Expressed in Saudi Riyals)

26. RISK MANAGEMENT (CONTINUED)

26.4 Liquidity risk (Continued)

The contractual maturities of liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Company's availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained. The table below summarizes the maturity profile of the Company's liabilities based on contractual undiscounted cash flows:

31 December 2018	**Within 3 months SR**	**3 to 12 months SR**	**1 to 5 years SR**	**Total SR**
Liabilities				
Accounts payable	**3,573,356**	**-**	**-**	**3,573,356**
Accrued expenses and other liabilities	**-**	**1,649,200**	**-**	**1,649,200**
Due to related parties	**1,792,282**	**-**	**-**	**1,792,282**
Loans and borrowings	**-**	**15,000,000**	**26,527,778**	**41,527,778**
	5,365,638	**16,649,200**	**26,527,778**	**48,542,616**

30 September 2017	Within 3 months SR	3 to 12 months SR	1 to 5 years SR	Total SR
Liabilities				
Accounts payable	12,945,052	-	-	12,945,052
Accrued expenses and other liabilities	-	2,342,286	-	2,342,286
Due to related parties	2,941,546	-	-	2,941,546
	15,886,598	2,342,286	-	18,228,884

26.5 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 except for equity investment which is classified under FVTPL and categorized under level 3 of fair value hierarchy.

26.6 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the period ended 31 December 2018.

27. COMPARATIVE FIGURES

Certain comparative figures have been re-arranged and reclassified to conform to current period presentation, where necessary.

Description	Reclassified from	Reclassified to	Amount – SR 2017
Claims receivables from customers	Islamic financing receivables	Prepayments and other receivables	1,467,025

28. SUBSEQUENT EVENTS

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

29. BOARD OF DIRECTORS' DATE OF APPROVAL

These financial statements were approved on 28 February 2019G corresponding 23 Jumada Al-Akhirah 1440H.