TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 31 MARCH 2018
(Expressed in Saudi Riyals)

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Independent Auditors' Report On Review Of Interim Financial Statements

The Shareholders
Tamweel AlOula Company
Closed Joint Stock Company
Dammam
Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 31 March 2018 interim condensed financial statements of **Tamweel AlOula Company ("the Company")** which comprises:

- the interim condensed statement of financial position as at 31 March 2018;
- the interim condensed statement of profit or loss for the three months and six months periods ended 31 March 2018;
- the interim condensed statement of comprehensive income for the three months and six months periods ended 31 March 2018;
- the interim condensed statement of changes in shareholders' equity for the six months period ended 31 March 2018;
- the interim condensed statement of cash flows for the six months period ended 31 March 2018; and
- the notes to the interim condensed financial statements.

Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and Saudi Arabian Monetary Agency ("SAMA") guidance for the accounting of Zakat and Income Tax. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2018 interim condensed financial statements of **Tamweel AlOula Company** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and SAMA guidance for the accounting of Zakat and Income Tax.

For KPMG Al Fozan & Partners
Certified Public Accountants

Tariq Abdulrahman Al Sunaid
License No: 419

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Al Khobar, 10 Sha'ban 1439H
Corresponding to: 26 April 2018G

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

	Note	31 March 2018 (Unaudited)	30 September 2017 (Audited)
ASSETS			
Non-current assets			
Property and equipment		**1,880,502**	1,934,460
Intangible assets		**2,483,089**	2,643,471
Net investment in finance leases	3	**149,545,950**	134,562,847
Equity investment	4	**892,850**	-
Total non-current assets		**154,802,391**	139,140,778
Current assets			
Current maturity of net investment in finance leases	3	**118,017,366**	124,408,928
Prepayments and other receivables		**3,709,442**	994,007
Cash and cash equivalents		**50,001,907**	45,891,493
Total current assets		**171,728,715**	171,294,428
TOTAL ASSETS		**326,531,106**	310,435,206
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	5	**250,000,000**	250,000,000
Statutory reserve		**4,492,620**	3,969,641
Retained earnings		**41,177,249**	34,379,344
TOTAL SHAREHOLDERS' EQUITY		**295,669,869**	288,348,985
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits		**2,649,258**	2,121,986
Total non-current liabilities		**2,649,258**	2,121,986
Current liabilities			
Accounts payable		**13,000,512**	12,945,052
Due to related parties	8	**10,602,212**	2,941,546
Accrued expenses and other liabilities		**3,548,332**	3,335,639
Zakat provision		**1,060,923**	741,998
Total current liabilities		**28,211,979**	19,964,235
TOTAL LIABILITIES		**30,861,237**	22,086,221
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**326,531,106**	310,435,206

Mr. Hani Hassan Abdulah Alafaliq
Chairman

Mr. Muhammad Luqman Sharif
Chief Executive Officer

Mr. Ahmad Abdel Azeem
Chief Financial Officer

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE THREE AND SIX MONTHS ENDED 31 MARCH 2018
(Expressed in Saudi Riyals)

	Note	**For the three months ended 31 March 2018 (Unaudited)**	For the three months ended 31 March 2017 (Unaudited)	**For the six months ended 31 March 2018 (Unaudited)**	For the six months ended 31 March 2017 (Unaudited)
INCOME					
Income from operations					
Finance lease		**10,176,936**	14,728,594	**22,272,601**	28,076,777
Income from other activities					
Other income, net		**479,525**	570,573	**559,852**	860,509
Total income		**10,656,461**	15,299,167	**22,832,453**	28,937,286
EXPENSES					
Special commission expenses and bank charges	6	**(47,886)**	(86,164)	**(106,049)**	(588,768)
Insurance expenses for finance leasing activities		**(2,076,731)**	(2,665,492)	**(4,107,191)**	(6,084,406)
Salaries and employee related expenses		**(4,072,026)**	(2,798,332)	**(6,913,833)**	(5,733,072)
Rent and premises related expenses		**(248,830)**	(220,500)	**(480,992)**	(433,000)
Depreciation and amortization		**(258,017)**	(253,718)	**(512,152)**	(456,805)
Other general and administrative expenses		**(1,542,942)**	(671,468)	**(3,072,426)**	(1,304,861)
Total expenses		**(8,246,432)**	(6,695,674)	**(15,192,643)**	(14,600,912)
PROFIT FOR THE PERIOD		**2,410,029**	8,603,493	**7,639,810**	14,336,374
Earnings per share - basic and diluted	7	**0.10**	0.34	**0.31**	0.57

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED 31 MARCH 2018
(Expressed in Saudi Riyals)

	For the three months ended 31 March 2018 (Unaudited)	For the three months ended 31 March 2017 (Unaudited)	**For the six months ended 31 March 2018 (Unaudited)**	For the six months ended 31 March 2017 (Unaudited)
Profit for the period	**2,410,029**	8,603,493	**7,639,810**	14,336,374
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**2,410,029**	8,603,493	**7,639,810**	14,336,374

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 MARCH 2018
(Expressed in Saudi Riyals)

	Note	For the six months ended 31 March 2018 (Unaudited)	For the six months ended 31 March 2017 (Unaudited)
OPERATING ACTIVITIES			
Profit for the period		**7,639,810**	14,336,374
Adjustments:			
Depreciation and amortization		**512,152**	456,805
Special commission expenses and bank charges		**106,049**	588,768
Employees' end of service benefits		**547,275**	306,752
Loss on disposal of property and equipment		**4,373**	330
		8,809,659	15,689,029
Changes in:			
Net investment in finance leases		**(8,591,541)**	39,332,295
Prepayments and other receivables		**(2,715,435)**	(7,039,879)
Due to related parties	8	**7,660,666**	(10,696,250)
Accounts payable		**55,460**	4,700,395
Accrued expenses and other liabilities		**212,693**	3,756,607
Employees' end of service benefits paid		**(20,003)**	(109,488)
Special commission expenses and bank charges paid		**(106,049)**	(588,768)
Net cash from operating activities		**5,305,450**	45,043,941
INVESTING ACTIVITIES			
Acquisition of property and equipment		**(479,124)**	(70,423)
Acquisition of equity investment	4	**(892,850)**	-
Proceeds from disposal of property and equipment		**176,938**	1,600
Net cash used in investing activities		**(1,195,036)**	(68,823)
FINANCING ACTIVITIES			
Repayment of loans to shareholders	8	-	(26,645,751)
Proceeds from loans from shareholders	8	-	1,912,960
Net cash used in financing activities		-	(24,732,791)
Net increase in cash and cash equivalents		**4,110,414**	20,242,327
Cash and cash equivalents at beginning of the period		**45,891,493**	826,050
Cash and cash equivalent at end of the period		**50,001,907**	21,068,377

The accompanying notes from 1 to 13 form an integral part of these interim condensed financial statements.

TAMWEEL ALOULA COMPANY
(CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 2018
(Expressed in Saudi Riyals)

	Share capital	Statutory reserve	Retained earnings	Total
01 October 2016	250,000,000	1,916,801	16,388,808	268,305,609
Profit for the year	-	-	20,528,405	20,528,405
Zakat - Note 2.3 & 11	-	-	(485,029)	(485,029)
Transfer to statutory reserve	-	2,052,840	(2,052,840)	-
30 September 2017 (Audited)	250,000,000	3,969,641	34,379,344	288,348,985
Profit for the period	-	-	**7,639,810**	**7,639,810**
Zakat for the period - Note 2.3 & 11	-	-	**(318,926)**	**(318,926)**
Transfer to statutory reserve	-	**522,979**	**(522,979)**	-
31 March 2018 (Unaudited)	**250,000,000**	**4,492,620**	**41,177,249**	**295,669,869**

The accompanying notes from 1 to 13 form an integral part of these interim condensed 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 Agency ("SAMA").

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND BASIS OF PREPARATION

Significant accounting policies applied in the preparation of these interim condensed financial statements are set out below. These policies are consistently applied for all periods presented.

2.1 Statement of compliance

These condensed interim financial statements are prepared using IAS 34 'Interim Financial Reporting' and SAMA guidance for the accounting of Zakat and Income Tax and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 30 September 2017 ("Last Annual Financial Statements"). They do not include all of the information required for a complete set of IFRS financial statements. However, changes in accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last financial statements.

This is the first set of Condensed Interim Financial Statements where where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 2.4.

2.2 Basis of measurement

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

2.3 Standards, new pronouncements and interpretations:

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

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

- Transfers of Investment Property (Amendments to IAS 40) effective for annual period 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 period on or after 1 January 2018.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration effective for annual period 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 period on or after to be determined.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Uncertainty over Income Tax Treatments (IFRIC 23).

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 2.4

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

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing after January 1, 2019.

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

2.4 Accounting policies

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 September 2017 and have been consistently applied for all periods presented, except for change in accounting policy mentioned below.

During the year 2017, The Company obtained less than 20% equity investment in a company which is not held for trading purposes and where the Company does not have any significant influence nor control. Subsequent to initial recognition, this investment is measured at fair value. Fair value is determined by reference to the market value in the open market if exists. In the absence of an open market and the fair values are not readily determinable, this investment is accounted for at the cost.

The Company has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. A number of other new standards including IFRS 15 are effective from 1 January 2018 but they do not have a material effect on the Company's financial statements.

IFRS – 15 Revenue from contract 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 Loyality Programs". The revised standard particularly aims to standardize existing regulations and thus improve transparency and the comparability of financial information. The change become effective to the Company from 1 January 2018. 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.

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 finance lease 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. The changes became effective to the Company from 1 January 2018. Based on the decision of the Board of Directors, the Company is in the process of changing 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. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

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. The Company applies the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments' for the period ended 31 March 2018.

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.

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

2.4 Accounting policies (continued)

IFRS – 9 Financial instruments (continued)

Financial asset

i. Classification and subsequent measurement

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification depends on the Company's business model for managing financial assets and the contractual terms of the financial assets cash flows.

The Company classifies its financial assets as those to be measured subsequently at amortized cost if they meet the following criteria:

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

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Finance income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The Company does not have any financial assets classified under fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Company recognizes a loss allowance for expected credit losses ("ECL") for financial assets measured at amortized cost. The ECL is recognized either for lifetime or for 12 months. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations
- Actual or expected significant changes in the operating results of the customer
- Significant increases in credit risk on other financial instruments of the same customer
- Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of customers and changes in the operating results of the customer
- Macroeconomic information (such as market interest rates or growth rates)
- Past due information adjusted for future information.

Regardless of the analysis above, a significant increase in credit risk is presumed if a receivable is more than 90 days past due in making a contractual payment, unless the Company has reasonable and supportable information that demonstrates otherwise.The Company has adopted the simplified approach as allowed by IFRS 9 and measures the loss allowance at an amount equal to lifetime expected credit losses for all finance lease receivables that result from contracts with the customers. The Company determines the expected credit losses on accounts receivable by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the finance lease receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

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

2.4 Accounting policies (continued)

IFRS – 9 Financial instruments (continued)

Financial asset (continued)

Objective evidence that financial assets are impaired can include significant financial difficulty, default or delinquency of the counterparty, restructuring of amounts due on terms that the Company would not otherwise consider, indications that a customer will enter bankruptcy, or other observable data relating to customers such as adverse changes in the economic conditions that correlate with defaults by the customers.

The Company considers evidence of impairment at both a specific asset and collective level. All individually significant financial instruments found not to be specifically impaired are then collectively (with similar risk characteristics) assessed for any impairment that has been incurred but not yet identified.

Impairment losses for a financial instrument are recognized in the income statement and reflected in impairment for credit losses. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

When an asset is uncollectible, it is written-off against the related provision. Such assets are written-off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the provision. The amount of the reversal is recognized in the income statement.

iii. Derecognition

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. A financial liability is derecognized from the statement of financial position when the Company has discharged its obligation or the contract is cancelled or expires.

Financial liabilities

i. Classification and subsequent measurement of financial liabilities

The Company classifies its financial liabilities as those to be measured subsequently at amortized cost using the effective interest method, if they are not:

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The Company does not qualify any of its financial liabilities under 'fair value through profit or loss (FVTPL)'.

ii. Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

iii. Offsetting

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

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, 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 as at 1 January 2018.

(Expressed in Saudi Riyals)

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

2.4 Accounting policies (continued)

IFRS – 9 Financial instruments (continued)

Financial Liabilities (continued)

Financial instruments	Original classification under IAS 39	New Classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Finance lease receivable	Loans and Receivables measured at amortized cost	Amortized cost	267,563,316	267,563,316
Equity Investments	Loans and Receivables measured at amortized cost	Amortized cost	892,850	892,850
Cash and cash equivalents	Loans and Receivables measured at amortized cost	Amortized cost	50,001,907	50,001,907
Accounts payable	Financial liabilities measured at amortized cost	Amortized cost	13,000,512	13,000,512
Due to reated parties	Financial liabilities measured at amortized cost	Amortized cost	10,602,212	10,602,212

3. NET INVESTMENT IN FINANCE LEASES

	31 March 2018 (Unaudited)	30 September 2017 (Audited)
Lease receivables	**294,908,798**	281,050,760
Residual value	**53,021,341**	59,328,512
Gross investment in finance leases	**347,930,139**	340,379,272
Unearned lease finance income	**(67,243,469)**	(68,284,143)
Net investment in finance leases	**280,686,670**	272,095,129
Provision for lease losses	**(13,123,354)**	(13,123,354)
	267,563,316	258,971,775
Current maturity	**(118,017,366)**	(124,408,928)
	149,545,950	134,562,847

3.1 Net investment in finance lease includes amount due from a shareholder, Al Kifah for Building Materials Company, amounting to SR 7.43 million (30 September 2017: nil) and SR 17.57 million (30 September 2017: nil) in current and non-current maturity respectively.

3.2 There was no movement in provision for lease losses during the period/year.

	31 March 2018 (Unaudited)	30 September 2017 (Audited)
Provision for lease losses	**13,123,354**	13,123,354
	13,123,354	13,123,354

3.3 As at 31 March 2018, the outstanding net finance lease receivables were SR 267.56 million (September 2017: SR 258.97 million) net of the provision for lease losses amounting to SR 13.12 million (30 September 2017: SR 13.12 million). Out of these past due finance lease receivables and related gross balances, SR 131.51 million (30 September 2017: 104.68 million) were past due for a period of six months or less, SR 14.94 million (30 September 2017: 16.26 million) were past due for a period of more than six months but less than twelve months and SR 15.89 (30 September 2017: 14.29 million) were past due more than one year.

(Expressed in Saudi Riyals)

3. NET INVESTMENT IN FINANCE LEASES (continued)

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

	Gross investment in finance leases	**Unearned leases finance income**	**Net investment in finance leases**
Not later than one year	**169,669,001**	**38,528,281**	**131,140,720**
Later than one year but not later than five years	**178,261,138**	**28,715,188**	**149,545,950**
	347,930,139	**67,243,469**	**280,686,670**

The maturity of the gross investment in finance leases as at 30 September 2017 is as follows:

	Gross investment in finance leases	Unearned leases finance income	Net investment in finance leases
Not later than one year	174,280,854	36,748,572	137,532,282
Later than one year but not later than five years	166,098,418	31,535,571	134,562,847
	340,379,272	68,284,143	272,095,129

3.5 The Company's implicit rate of return on leases is in the range of prevailing market rate. These are secured against leased assets and down payments which are generally up to 19% of the cost of leased asset (30 September 2017: 20%). The Company's major assets for finance leases are cars, heavy equipment and home appliances.

3.6 Lease rentals collected during the period aggregate to SR 88.99 million. (30 September 2017: SR 162 million).

3.7 The Company has disposed off certain financial assets (investment in finance leases) as at 1st October 2015 to Al Kifah Trading Company (a shareholder), amounting to SR 66.8 million. Lease receivables and related unearned lease finance income transferred were 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.

3.8 The contractual rights and the titles of certain assets subject to the finance leases arrangements are under the name of Al Kifah Trading Company (a shareholder) amounting to SR 93 million and SR 146 million of net investment in finance leases as at 31 March 2018 and 30 September 2017 respectively. 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. EQUITY INVESTMENT

Based on the instructions of Saudi Arabian Monetary Authority "SAMA" in the month of December of 2017 to establish a new entity that will register the leasing contracts in the Kingdom of Saudi Arabia called " Saudi for leasing registration ("the Investee"). SAMA has instructed all leasing companies and banks to contribute to the capital of the new investee. The Company has contributed SAR 892,850, towards 89,285 shares (2% of total shares) and paid the amount in December 2017. However, these shares were not issued as at balance sheet date.

The Company has accounted for the investment at Cost in the absence of an open market for the investee's shares and the fact that fair values for investee's shares are not readily determinable.

(Expressed in Saudi Riyals)

5. SHARE CAPITAL

The pattern of shareholding as of 31 March 2018 and 30 September 2017 is as follows:

	Ownership percentage %	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**

6. SPECIAL COMMISSION EXPENSES AND BANK CHARGES

	For the three months ended 31 March 2018 (Unaudited)	For the three months ended 31 March 2017 (Unaudited)
Special commission expense on long term loans from shareholders	-	17,828
Bank charges	**47,886**	68,336
	47,886	86,164

7. BASIC AND DILUTED EARNINGS PER SHARE

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

8. RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its business, the Company transacts business with its related parties, which include its parent company (Al Kifah Holding Company), affiliated Companies and other entities in which the principal shareholder has share of interest. Such transactions are dealt with on agreed terms and the 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 six months ended 31 March 2018 (Unaudited)	For the six months ended 31 March 2017 (Unaudited)
Transactions:		
Al Kifah Holding Company – a shareholder		
Repayment of loan	-	(26,645,751)
Loan from shareholder	-	1,912,960
Zakat paid on behalf of the Company	**379,170**	-
Advertising expenses	**172,028**	-
Amount paid against advertising expenses	**(172,028)**	-
Services provided	**325,098**	-
Amounts paid against services	**(314,554)**	-
Alkifah for Building Materials company (Al Kifah Building Equipment Branch) - a shareholder		
Heavy machinery and equipment sales financed by the Company	**51,404,167**	7,925,000
Amount paid against machinery and equipment financed	**(44,467,823)**	(18,537,500)
Assets provided on lease to the shareholder (note 3)	**25,000,000**	-

(Expressed in Saudi Riyals)

8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	For the six months ended 31 March 2018 (Unaudited)	For the six months ended 31 March 2017 (Unaudited)
Al Kifah Real Estate Company		
Annual rent for the Company's head office	**1,157,587**	850,000
Rent paid by the Company	**(1,157,587)**	(850,000)
Al Kifah Contracting Company – a shareholder		
Amount due against construction of new office	**-**	33,647
Amount paid against construction of new office	**-**	(33,647)
Al Kifah Information Technology Company		
Information technology fee	**241,357**	250,351
Amount paid against Information technology fee	**(66,749)**	(250,351)
Al Kifah Trading Company		
Assets purchased for the purpose of leases	**4,334,720**	12,034,590
Amount paid against assets purchased	**(4,112,220)**	(12,118,340)
Al Kifah for Shore Advisory Services		
Amount paid against services	**(62,500)**	-

Due to related parties:	31 March 2018 (Unaudited)	30 September 2017 (Audited)
Al Kifah for Building Materials Company (Al Kifah Building Equipment Branch)	**9,209,955**	2,273,611
Al Kifah Holding Company	**995,149**	605,435
Al Kifah Shore Advisory Services Company	**-**	62,500
Al Kifah Trading Company	**222,500**	-
Al Kifah Information Technology Company	**174,608**	-
	10,602,212	2,941,546

During the year ended 30 September 2017, the Company obtained a loan from Al Kifah Holding Company (a shareholder) amounted to SAR 1.9 million which was repaid in addition to the balance at the beginning of the year with total repayment of loans from shareholders of SAR 29.8 million during the year ended 30 September 2017.

9. SEGMENT REPORTING

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

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

10. FAIR VALUES OF FINANCIAL ASSETS AND 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.

All financial assets and financial liabilities are measured at amortized cost. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values.

11. ZAKAT MATTERS

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

Provision for Zakat

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

12. CHANGE IN ACCOUNTING PERIOD

During the year ended 30 September 2017, the Board of Directors of the Company have decided to change the accounting period from 30 September to 31 December. Pursuant to this decision, the subsequent accounting period of the Company will cover fifteen months from 01 October 2017 to 31 December 2018. However, the legal formalities for this change are still in process as of the date of these interim condensed financial statements date.

13. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved on 26 April 2018 corresponding to 10 Shaaban 1439H.