

TAMWEEL ALOULA COMPANY
(A CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE THREE AND TWELVE MONTHS PERIOD
ENDED
30 SEPTEMBER 2018

TAMWEEL ALOULA COMPANY
(A CLOSED JOINT STOCK COMPANY)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND TWELVE MONTHS PERIOD ENDED 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

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Independent Auditors' Report On Review Of Condensed Interim Financial Statements

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

Introduction

We have reviewed the accompanying 30 September 2018 condensed interim financial statements of **Tamweel AlOula Company ("the Company")** which comprises:

- the condensed statement of financial position as at 30 September 2018;
- the condensed statement of profit or loss for the three months and twelve months periods ended 30 September 2018;
- the condensed statement of comprehensive income for the three months and twelve months periods ended 30 September 2018;
- the condensed statement of changes in shareholders' equity for the twelve months period ended 30 September 2018;
- the condensed statement of cash flows for the twelve months period ended 30 September 2018; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 34, 'Interim Financial Reporting' as modified by the 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 condensed interim financial statements based on our review.

Scope of review

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

TAMWEEL ALOULA COMPANY
(A CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

	Note	30 September 2018 (Unaudited)	30 September 2017 (Audited)
ASSETS			
Non-current assets			
Property and equipment		1,462,610	1,934,460
Intangible assets		2,322,707	2,643,471
Net investment in finance leases	3	155,568,274	134,562,847
Equity investment	4	892,850	-
Total non-current assets		160,246,441	139,140,778
Current assets			
Current maturity of net investment in finance leases	3	115,408,266	124,408,928
Prepayments and other receivables		3,629,666	994,007
Cash and cash equivalents		47,400,629	45,891,493
Total current assets		166,438,561	171,294,428
TOTAL ASSETS		326,685,002	310,435,206
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	5	250,000,000	250,000,000
Statutory reserve		5,225,541	3,969,641
Retained earnings		16,400,310	34,379,344
TOTAL SHAREHOLDERS' EQUITY		271,625,851	288,348,985
LIABILITIES			
Non-current liabilities			
Loans and borrowings	6	29,851,898	-
Employees' benefits		2,953,026	2,121,986
Total non-current liabilities		32,804,924	2,121,986
Current liabilities			
Loans and borrowings - current portion	6	12,773,139	-
Accounts payable		3,628,945	12,945,052
Due to related parties	9	43,212	2,941,546
Accrued expenses and other liabilities		4,707,524	3,335,639
Zakat provision		1,101,407	741,998
Total current liabilities		22,254,227	19,964,235
TOTAL LIABILITIES		55,059,151	22,086,221
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		326,685,002	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 17 form an integral part of these condensed interim financial statements.

TAMWEEL ALOULA COMPANY
(A CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE THREE AND TWELVE MONTHS PERIOD ENDED 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

	Note	For the three months ended 30 September 2018 (Unaudited)	For the three months ended 30 September 2017 (Unaudited)	For the twelve months ended 30 September 2018 (Unaudited)	For the twelve months ended 30 September 2017 (Audited)
INCOME					
Income from operations					
Finance lease		10,580,068	9,680,977	42,347,400	49,169,916
Income from other activities					
Other income, net		162,444	607,450	797,713	1,956,294
Total income		<u>10,742,512</u>	<u>10,288,427</u>	<u>43,145,113</u>	<u>51,126,210</u>
EXPENSES					
Finance cost and bank charges		(359,506)	(61,290)	(512,449)	(755,525)
Insurance expenses for finance leasing activities		(1,830,660)	(2,221,987)	(7,861,276)	(10,900,893)
Salaries and other employee related expenses		(3,879,305)	(3,613,816)	(14,707,884)	(12,080,845)
Rent and premises related expenses		(340,271)	(240,810)	(1,065,317)	(902,770)
Depreciation and amortization		(260,364)	(232,661)	(1,032,971)	(942,128)
Other general and administrative expenses		(1,436,990)	(2,156,272)	(5,406,217)	(5,015,644)
Total expenses		<u>(8,107,096)</u>	<u>(8,526,836)</u>	<u>(30,586,114)</u>	<u>(30,597,805)</u>
PROFIT FOR THE PERIOD		<u>2,635,416</u>	<u>1,761,591</u>	<u>12,558,999</u>	<u>20,528,405</u>
Earnings per share - basic and diluted	8	<u>0.11</u>	<u>0.07</u>	<u>0.50</u>	<u>0.82</u>

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

TAMWEEL ALOULA COMPANY
(A CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE AND TWELVE MONTHS PERIOD ENDED 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

	For the three months ended 30 September 2018 (Unaudited)	For the three months ended 30 September 2017 (Unaudited)	For the twelve months ended 30 September 2018 (Unaudited)	For the twelve months ended 30 September 2017 (Audited)
Profit for the period	2,635,416	1,761,591	12,558,999	20,528,405
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>2,635,416</u>	<u>1,761,591</u>	<u>12,558,999</u>	<u>20,528,405</u>

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

TAMWEEL ALOULA COMPANY
(A CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE TWELVE MONTHS PERIOD ENDED 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
1 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 12	-	-	(485,029)	(485,029)
Transfer to statutory reserve	-	2,052,840	(2,052,840)	-
30 September 2017 (Audited)	<u>250,000,000</u>	<u>3,969,641</u>	<u>34,379,344</u>	<u>288,348,985</u>
1 October 2017	250,000,000	3,969,641	34,379,344	288,348,985
Profit for the period	-	-	12,558,999	12,558,999
Zakat for the period - Note 12	-	-	(359,409)	(359,409)
Transfer to statutory reserve	-	1,255,900	(1,255,900)	-
Dividends for the period – Note 7	-	-	(28,922,724)	(28,922,724)
30 September 2018 (Unaudited)	<u>250,000,000</u>	<u>5,225,541</u>	<u>16,400,310</u>	<u>271,625,851</u>

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

TAMWEEL ALOULA COMPANY
(A CLOSED JOINT STOCK COMPANY)
CONDENSED STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS PERIOD ENDED 30 SEPTEMBER 2018
(Expressed in Saudi Riyals)

	Note	For the twelve months ended 30 September 2018 (Unaudited)	For the twelve months ended 30 September 2017 (Audited)
OPERATING ACTIVITIES			
Profit for the period		12,558,999	20,528,405
<i>Adjustments for:</i>			
Depreciation and amortization		1,032,971	942,128
Finance cost and bank charges		512,449	755,525
Employees' benefits		909,696	544,830
Loss on disposal of property and equipment		7,819	13,098
		<u>15,021,934</u>	<u>22,783,986</u>
Changes in:			
Net investment in finance leases		(12,004,765)	55,046,411
Prepayments and other receivables		(2,635,659)	2,665,159
Due to related parties	9	(2,898,334)	(11,300,704)
Accounts payable		(9,316,107)	6,514,456
Accrued expenses and other liabilities		1,371,885	(926,401)
Cash (used in) / generated from operating activities		<u>(10,461,046)</u>	<u>74,782,907</u>
Employees' benefits paid		(78,656)	(166,848)
Finance cost and bank charges paid		(398,523)	(755,525)
Zakat paid		-	(605,435)
Net cash (used in) / from operating activities		<u>(10,938,225)</u>	<u>73,255,099</u>
INVESTING ACTIVITIES			
Acquisition of property and equipment		(248,864)	(309,488)
Acquisition of investment	4	(892,850)	-
Proceeds from disposal of property and equipment		688	50,507
Net cash used in investing activities		<u>(1,141,026)</u>	<u>(258,981)</u>
FINANCING ACTIVITIES			
Dividend paid		(28,922,724)	-
Proceeds from loans and borrowings		43,900,000	-
Repayment of loans and borrowings		(1,388,889)	-
Repayment of loans to shareholders	9	-	(29,843,635)
Proceeds from loans from shareholders	9	-	1,912,960
Net cash from / (used in) financing activities		<u>13,588,387</u>	<u>(27,930,675)</u>
Net increase in cash and cash equivalents		1,509,136	45,065,443
Cash and cash equivalents at beginning of the period		<u>45,891,493</u>	<u>826,050</u>
Cash and cash equivalent at end of the period		<u><u>47,400,629</u></u>	<u><u>45,891,493</u></u>

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

TAMWEEL ALOULA COMPANY
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND TWELVE MONTHS PERIOD ENDED 30 SEPTEMBER 2018
(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 1436H corresponding to 2 July 2015G and operating under company license number 39/A Sh/201512 dated 21 Safar 1437H corresponding to 3 December 2015G 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), on 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 off 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 condensed interim financial statements are set out below. These policies are consistently applied for all periods presented.

2.1 Statement of compliance

These interim financial statements have been prepared in accordance with 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, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

These set of condensed interim financial statements includes application of IFRS 15 and IFRS 9. Changes to significant accounting policies are described in Note 2.4.

2.2 Basis of preparation and use of judgements and estimates

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

In preparing these interim 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.

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 2.4.

2.3 Annual improvements to IFRSs and accounting standards not yet effective

Annual improvements to IFRSs 2015-2017 cycle:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.
- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

IAS 12 Income Taxes - clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in condensed statement of profit or loss, other comprehensive income or equity.

IAS 23 Borrowing Costs - clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

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

2.3 Annual improvements to IFRSs and accounting standards not yet effective (continued)

Accounting standards not yet effective:

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 - 'Determining 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 new standard will be effective for annual periods beginning on or after 1 January 2019, early application is permitted and must be disclosed.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard (IAS 17 Leases) - i.e. lessors continue to classify leases as finance or operating leases.

The Company will adopt the new standard on the effective date. The Company is currently assessing the impact on the Company's financial statements. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Company's borrowing rate at 1 January 2019, the composition of the Company's lease portfolio at that date, the Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions.

Other amendments

The following amendment to standards are not yet effective and neither expected to have a significant impact on the Company's condensed interim financial statements:

- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)
- Uncertainty over Income Tax Treatments (IFRIC 23)

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

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.

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

2.4 Accounting policies

The accounting policies applied in these interim 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 change in accounting policies 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 or 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 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.

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.

IFRS - 15 is not expected to have a significant impact on Company’s interim financial statements. 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.

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 30 September 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 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 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 finance lease 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.

Credit impaired financial assests

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.

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

2.4 Accounting policies (continued)

IFRS – 9 Financial instruments (continued)

Financial asset (continued)

ii. Impairment of financial assets (continued)

Impairment losses for a financial instrument are recognized in the statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss. 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 statement of profit or loss.

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 less impairment, 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.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

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.

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, 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.

TAMWEEL ALOULA COMPANY
(A CLOSED JOINT STOCK COMPANY)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND TWELVE MONTHS PERIOD ENDED 30 SEPTEMBER 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)

Transition (continued)

<u>Financial instruments</u>	<u>Original classification under IAS 39</u>	<u>New Classification under IFRS 9</u>	<u>Original carrying amount under IAS 39</u>	<u>New carrying amount under IFRS 9 (Unaudited)</u>
Finance lease receivable	Loans and receivables measured at amortized cost	Amortized cost	260,383,860	260,383,860
Investment – FVOCI	Loans and receivables measured at amortized cost	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
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

Finance lease receivable 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.

3. NET INVESTMENT IN FINANCE LEASES

	<u>30 September 2018 (Unaudited)</u>	<u>30 September 2017 (Audited)</u>
Lease receivables	303,544,791	281,050,760
Residual value	44,406,750	59,328,512
Gross investment in finance leases	347,951,541	340,379,272
Unearned lease finance income	(63,851,647)	(68,284,143)
Net investment in finance leases	284,099,894	272,095,129
Provision for lease losses	(13,123,354)	(13,123,354)
	270,976,540	258,971,775
Current maturity	(115,408,266)	(124,408,928)
	155,568,274	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 7.85 million (30 September 2017: SR nil) and SR 13.53 million (30 September 2017: SR nil) in current and non-current maturities respectively.

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

	<u>30 September 2018 (Unaudited)</u>	<u>30 September 2017 (Audited)</u>
Provision for lease losses	13,123,354	13,123,354

3.3 As at 30 September 2018, the outstanding net finance lease receivables were SR 270.98 million (30 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 net finance lease receivables balances amounts to SR 92.01 million (30 September 2017: SR 104.68 million) were past due for a period of six months or less, SR 6.60 million (30 September 2017: SR 16.26 million) were past due for a period of more than six months but less than twelve months and SR 15.68 (30 September 2017: SR 14.29 million) were past due more than one year.

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3. NET INVESTMENT IN FINANCE LEASES (continued)

3.4 The maturity of the gross investment in finance leases as at 30 September 2018 is as follows:

	Gross investment in finance leases (Unaudited)	Unearned leases finance income (Unaudited)	Net investment in finance leases (Unaudited)
Not later than one year	165,302,444	(36,770,824)	128,531,620
Later than one year but not later than five years	182,649,097	(27,080,823)	155,568,274
	<u>347,951,541</u>	<u>(63,851,647)</u>	<u>284,099,894</u>

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

	Gross investment in finance leases (Audited)	Unearned leases finance income (Audited)	Net investment in finance leases (Audited)
Not later than one year	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
	<u>340,379,272</u>	<u>(68,284,143)</u>	<u>272,095,129</u>

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 20% of the cost of leased asset (30 September 2017: 20%). The Company's major assets for finance leases are cars and heavy equipment.

3.6 Lease rentals collected during the period aggregate to SR 181.68 million. (30 September 2017: SR 162 million).

3.7 The Company has disposed off certain financial assets (investment in finance leases) as at 1 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 52 million and SR 146 million of net investment in finance leases as at 30 September 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 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 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. Investment has been classified as fair value through profit and loss (FVTPL).

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5. SHARE CAPITAL

The shareholding of the Company as of 30 September 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. LOANS AND BORROWINGS

The loans and borrowings of the Company as of 30 September 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	7,773,139	-
Term loan	2021	5,000,000	5,000,000	-
		13,333,333	12,773,139	-
Non-current portion of loans and borrowings				
Tawarruq Financing	2021	15,277,778	14,851,898	-
Term loan	2021	15,000,000	15,000,000	-
		30,277,778	29,851,898	-

Aggregate maturities of the long term loans at 30 September were as follows:

	2018	2017
2019	12,773,139	-
2020	14,666,713	-
2021	15,185,185	-
	42,625,037	-

Tawarruq Financing

During the period, the Company got approval of 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 commenced 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 services for small and medium entities. 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 loan period.

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7. DIVIDENDS

During the period, 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.

8. 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.

9. RELATED PARTY TRANSACTIONS AND BALANCES

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 on terms and conditions are approved by the Company's management. Following are the related parties of the Company and the details of significant transactions:

	For the twelve months ended 30 September 2018 (Unaudited)	For the twelve months ended 30 September 2017 (Audited)
Transactions:		
Al Kifah Holding Company – a shareholder		
Repayment of loan	-	(29,843,635)
Loan from shareholder	-	1,912,960
Zakat paid on behalf of the Company	-	605,435
Value added tax paid on behalf of the Company	1,054,191	-
Payment made against value added tax paid on behalf of the Company	(1,010,979)	-
Payment made against zakat paid on behalf of the Company	(605,435)	-
Advertising expenses	395,310	-
Amount paid against advertising expenses	(395,310)	-
Services provided	1,758,054	-
Amounts paid against services	(1,758,054)	-
Al Kifah for Building Materials Company (Al Kifah Building Equipment Branch) - a shareholder		
Heavy machinery and equipment sales financed by the Company	52,733,069	36,857,151
Amount paid against machinery and equipment financed	(55,006,680)	(48,742,040)
Assets provided on lease to the shareholder (note 3.1)	21,386,095	-
Al Kifah Real Estate Company – other related party		
Annual rent for the Company's head office	1,330,093	850,000
Rent paid by the Company	(1,330,093)	(850,000)
Al Kifah Contracting Company – a shareholder		
Amount due against construction of new office	-	213,647
Amount paid against construction of new office	-	(213,647)

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9. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	For the twelve months ended 30 September 2018 (Unaudited)	For the twelve months ended 30 September 2017 (Audited)
Al Kifah Information Technology Company - other related party		
Information technology fee	753,777	674,309
Amount paid against Information technology fee	(753,777)	(674,309)
Al Kifah Trading Company - other related party		
Assets purchased for the purpose of leases	4,785,720	14,819,894
Amount paid against assets purchased	(4,785,720)	(14,903,644)
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:

	30 September 2018 (Unaudited)	30 September 2017 (Audited)
<u>Due to related parties:</u>		
Al Kifah Holding Company	43,212	605,435
Al Kifah for Building Materials Company (Al Kifah Building Equipment Branch)	-	2,273,611
Al Kifah Shore Advisory Services Company	-	62,500
	43,212	2,941,546

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

	For the twelve months ended 30 September 2018 (Unaudited)	For the twelve months ended 30 September 2017 (Audited)
<u>Transactions:</u>		
Compensation of key management executives	2,116,956	902,167
Directors meeting attendance fee paid	24,000	39,000

10. SEGMENT REPORTING

A segment is a distinguishable component that is engaged in providing leases services (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 as per management's opinion that segment reporting is not relevant. The Company only operates in the Kingdom of Saudi Arabia.

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11. FINANCIAL INSTRUMENTS

The Company's principal financial assets include cash and cash equivalents, finance lease receivable and certain other receivables and equity investment. The Company's principal financial liabilities comprise long term loans and borrowings, accounts and other payables and due to related parties. The main purpose of these financial liabilities is to finance the Company's operations.

Fair value hierarchy

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 except for equity investment which is classified under FVTPL. As at balance sheet date, the fair values of all financial assets and financial liabilities measured at amortized cost approximate their carrying values.

12. 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.

13. 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 1 October 2017 to 31 December 2018.

14. SUBSEQUENT EVENTS

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

15. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Board of Directors on 25 October 2018G corresponding to 16 Safar 1440H.