BAB RIZQ JAMEEL MICROFINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

31 DECEMBER 2018

Building a better working world

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
King's Road Tower - 13th floor
King Abdul Aziz Road (Malek Road)
P.O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Head Office - Riyadh

Registration No. 45/11/323
C.R. No. 4030276644

Tel: +966 12 221 8400
Fax: +966 12 221 8575

jeddah@sa.ey.com
www.ey.com/mena

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Bab Rizq Jameel Microfinance Company
(A Saudi Closed Joint Stock Company)

Opinion

We have audited the financial statements of Bab Rizq Jameel Microfinance Company (a Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and summary of significant accounting policies and other explanatory notes.

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 year then ended in accordance with International Financial Reporting Standards (IFRSs) as modified by Saudi Arabian Monetary Authority (SAMA) for accounting of zakat and income tax.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *'Auditor's Responsibilities for the Audit of the Financial Statements'* section of our report. We are independent of the Company in accordance with professional code of conduct and ethics, as 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 Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the IFRSs as modified by SAMA for the accounting of zakat and income tax, the applicable requirements of the regulations for Companies in the Kingdom of Saudi Arabia and Company's By-laws, and for such internal control as Directors determine 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, the Directors are 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 the Directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 ISAs as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 ISAs as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit.

EY
Building a better
working world

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Bab Rizq Jameel Microfinance Company (A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 the Directors' 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, we are required to draw attention in our auditor's 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 auditor's 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 those charged with governance 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.

We also provide the management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

Based on the information that has been made available to us while performing our audit procedures, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material aspects, with the applicable requirements of the regulations for Companies and Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young
(Public Accountants)

Ahmed I. Reda
Certified Public Accountant
License No. 356

19 February 2019
14 Jumada II 1440H

Jeddah
18/503/00

ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS
PROFESSIONAL LICENCE No. 45

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

ASSETS	*Notes*	***31 December 2018 SR***	*31 December 2017 SR*
NON-CURRENT ASSETS			
Leasehold improvements and equipment	4	**107,936**	90,441
Intangible assets	5	**625,039**	327,378
Financing and advances, net	6	**19,825,335**	-
Employees' receivables		**363,276**	-
TOTAL NON-CURRENT ASSETS		**20,921,586**	417,819
CURRENT ASSETS			
Financing and advances, net	6	**31,685,322**	-
Accrued income, prepayments and other receivables	7	**366,713**	251,118
Cash and bank balances	8	**47,540,242**	99,946,804
TOTAL CURRENT ASSETS		**79,592,277**	100,197,922
TOTAL ASSETS		**100,513,863**	100,615,741
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	1	**100,000,000**	100,000,000
Accumulated losses		**(5,068,040)**	(535,436)
Actuarial losses		**(473,000)**	-
TOTAL SHAREHOLDERS' EQUITY		**94,458,960**	99,464,564
NON-CURRENT LIABILITY			
Employees benefits liabilities	9	**2,089,000**	-
CURRENT LIABILITIES			
Accrued expenses and other payables	10	**1,039,367**	132,573
Due to related parties	11	**2,032,003**	1,018,604
Zakat payable	12	**894,533**	-
TOTAL CURRENT LIABILITIES		**3,965,903**	1,151,177
TOTAL LIABILITIES		**6,054,903**	1,151,177
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**100,513,863**	100,615,741

The attached notes 1 to 20 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	***For the year ended 31 December 2018 SR***	*For the period from 4 April 2017 to 31 December 2017 SR*
Revenues	13	**1,427,226**	-
Direct cost		**(129,787)**	-
GROSS MARGIN		**1,297,439**	-
Selling and marketing expenses		**(116,647)**	(149,867)
General and administrative expenses	15	**(5,763,692)**	(1,089,237)
Impairment charge against financing and advances	6	**(563,503)**	-
TOTAL OPERATING EXPENSES		**(6,443,842)**	(1,239,104)
LOSS FROM OPERATIONS		**(5,146,403)**	(1,239,104)
Finance income	8	**1,508,332**	703,668
NET LOSS FOR THE YEAR/PERIOD		**(3,638,071)**	(535,436)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss for the year / period	9	**(473,000)**	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR / PERIOD		**(4,111,071)**	(535,436)
Basic and diluted loss per share (expressed in SR per share)	14	**(0.36)**	(0.05)

The attached notes 1 to 20 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018

	Share capital SR	***Accumulated losses SR***	***Actuarial loss SR***	***Total SR***
Balance as at 31 December 2017	100,000,000	(535,436)	-	**99,464,564**
Net loss for the year	-	(3,638,071)	-	**(3,638,071)**
Other comprehensive loss (see note 9)	-	-	(473,000)	**(473,000)**
Total comprehensive loss for the year	-	(3,638,071)	(473,000)	**(4,111,071)**
Zakat charge for the year (note 12)	-	(894,533)	-	**(894,533)**
Balance as at 31 December 2018	**100,000,000**	**(5,068,040)**	**(473,000)**	**94,458,960**
Issue of share capital (note 1)	100,000,000	-	-	100,000,000
Net loss for the period from 4 April 2017 to 31 December 2018 (the "period")	-	(535,436)	-	(535,436)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(535,436)	-	(535,436)
Balance as at 31 December 2017 (note 2.1)	100,000,000	(535,436)	-	99,464,564

The attached notes 1 to 20 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	***For the year ended 31 December 2018 SR***	*For the period from 4 April 2017 to 31 December 2017 SR*
OPERATING ACTIVITIES			
Net loss for the year/period		**(3,638,071)**	(535,436)
Adjustments to reconcile net loss for the year/period to net cash flows:			
Depreciation	4	**43,101**	25,201
Amortisation	5	**118,463**	-
Impairment charge against financing and advances	6(a)	**563,503**	-
Finance income		**(1,508,332)**	(703,668)
Provision for employees benefit liabilities	9	**39,031**	-
		(4,382,305)	(1,213,903)
Changes in operating assets and liabilities:			
Financing and advances, net		**(52,074,160)**	-
Prepayments and other receivables		**126,463**	(146,582)
Accrued expenses		**734,042**	132,573
Due to related parties		**2,109,269**	1,018,604
Net cash used in operations		**(53,486,691)**	(209,308)
Employees benefits liabilities paid	9	**(56,019)**	-
Net cash used in operating activities		**(53,542,710)**	(209,308)
INVESTING ACTIVITIES			
Additions to leasehold improvements and equipment	4	**(60,596)**	(115,642)
Additions to intangible assets	5	**(416,124)**	(327,378)
Investment in murabaha deposits	8	**(45,381,188)**	-
Finance income received		**1,612,868**	599,132
Net cash (used in)/from investing activities		**(44,245,040)**	156,112
FINANCING ACTIVITY			
Issue of share capital		-	100,000,000
Cash from financing activity		-	100,000,000
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(97,787,750)**	99,946,804
Cash and cash equivalents at the beginning of the period	8	**99,946,804**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	8	**2,159,054**	99,946,804
NON-CASH TRANSACTIONS			
Employees benefits liabilities transferred in	9	**1,632,988**	-
Employees' advances transferred from a related party	11	**709,870**	-
Employees' vacation accrual transferred from a related party	11	**172,752**	-
Actuarial loss relating to employees benefits liabilities	9	**(473,000)**	-

The attached notes 1 to 20 form an integral part of these financial statements.

1 ORGANIZATION AND ACTIVITIES

Bab Rizq Jameel Microfinance Company (the "Company") is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030294117, issued on 7 Rajab 1438H (corresponding to 4 April 2017). The Company is wholly owned by Saudi shareholders.

The Company's head office is in Jeddah. The principal activity of the Company is to engage in microfinance activities in the Kingdom of Saudi Arabia.

On 14 Muharram 1439H (corresponding to 4 October 2017), the Company received the license from Saudi Arabian Monetary Authority ("SAMA") to undertake Microfinance activities in the Kingdom of Saudi Arabia under license number 49/MU/201710 for five years from the date of issuance.

a) Share capital of the Company

As at 31 December 2018 and 31 December 2017, the share capital of the Company was owned as follows:

	No. of shares of SR 10 each	***31 December 2018 SR***	*31 December 2017 SR*
Al Mumaizah United Commerce Company Limited	**9,600,000**	**96,000,000**	96,000,000
Al Mumaizah United Services Company Limited	**100,000**	**1,000,000**	1,000,000
Najid Al Raeda United Company Limited	**100,000**	**1,000,000**	1,000,000
Bader First United Company Limited	**100,000**	**1,000,000**	1,000,000
Taif First United Company Limited	**100,000**	**1,000,000**	1,000,000
	10,000,000	**100,000,000**	100,000,000

The Company is a subsidiary of Al Mumaizah United Commerce Company Limited (the "Parent Company"). The Ultimate Parent of the Company is United Instalment Sales Company Limited ("UIS" or "Ultimate Parent"). The Company, the Parent Company and the Ultimate Parent are wholly owned by Saudi shareholders.

b) Branches of the Company

As at 31 December 2018, the Company operates through 4 branches (2017: Nil), out of which 2 branches are registered with the Company. The registration of the remaining 2 branches are still in progress as at 31 December 2018. The accompanying financial statements include the assets, liabilities and results of these branches.

2 BASIS OF PREPARATION

2.1 Basis of preparation, measurement and presentation

As per the Company's By-laws, the Company's first fiscal period commenced from the date of issuance of the Commercial Registration declaring the incorporation of the Company and ended on 31 December 2017. The Company's first set of statutory financial statements was prepared for the period from 4 April 2017 to 31 December 2017.

Basis of measurement

These financial statements are prepared under the historical cost convention, except for employees' benefits liabilities, where actuarial present value calculations are used

Functional and presentational currency

These financial statements have been presented in Saudi Riyals, which is the functional and presentational currency of the Company.

2 BASIS OF PREPARATION (continued)

2.2 Statement of compliance

The financial statements of the Company have been prepared:

i) In accordance with 'International Financial Reporting Standards (IFRSs) 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"). As per the SAMA Circular no. 381000074519 dated April 11, 2017 instead of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" 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.

ii) In compliance with the requirement of the regulations for Companies in the Kingdom of Saudi Arabia and Company's By-laws.

The Company has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018 and accounting policies for these new standards are disclosed in the note 2.4. In preparing these financial statements, the significant judgments made by management are the same as those that applied to the financial statements for the period from 4 April 2017 to 31 December 2017, except for as disclosed in this note and note 2.4.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) as modified by SAMA for the accounting of zakat and income tax, requires the use of certain critical accounting estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Useful lives of leasehold improvements and equipment
The Company's management determines the estimated useful lives of its leasehold improvements and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Useful life of intangible assets
The Company's management determines the estimated useful lives of its intangible assets for calculating amortisation. This estimate is determined after considering the expected benefit obtained from the usage of the intangible assets. Management reviews the carrying value and useful lives annually and future amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Actuarial valuation of employees benefits liabilities
The cost of the end-of-service and ex-gratia benefits ("employees benefits") under defined unfunded benefit plans is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation and its long-term nature, a defined unfunded benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required.

2 BASIS OF PREPARATION (continued)

2.3 Significant accounting judgements, estimates and assumptions (continued)

Classification of financial assets
Assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and interest of the principal amount outstanding.

Impairment of non-financial assets
The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-zakat discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

Impairment of financial assets
The measurement of impairment losses requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company’s ECL calculations are outputs of complex model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL model that are considered accounting judgements and estimates include:

- The Company’s internal credit grading model, which assigns Probabilities of Default (PDs) to the individual pool of receivables
- The Company’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime Expected Credit Loss (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels, and the effect on PDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model

At the reporting date, outstanding receivables under financing and advances was SR 52,074,160 (31 December 2017: Nil), and the allowance for doubtful debts relating to financing and advances was SR 563,503 (31 December 2017: Nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income of those periods.

2.4 Impact of changes in accounting policies due to amendments to the existing standards and adoption of new standard

The accounting policies used in the preparation of the financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the period from 4 April 2017 to 31 December 2017, except for the adoption of new standards and amendments to the existing standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2 BASIS OF PREPARATION (continued)

2.4 Impact of changes in accounting policies due to amendments to the existing standards and adoption of new standard (continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

During the period ended 31 December 2017, the Company performed a detailed impact assessment of all aspects of IFRS 9 as applicable. This assessment is based on currently available information and expert judgement of the management. Overall, the Company does not have any impact on its statement of financial position and equity as of 1 January 2018 (the effective date) as the Company was incorporated in 2017 and no financing activities were carried out by the Company during the period from 4 April 2017 to the effective date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

As the Company had not started its operations during the period from 4 April 2017 to 1 January 2018, therefore adoption of IFRS 15 did not have any impact on the Company's financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company's financial statements.

2.5 Standards issued but not yet effective

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

2.5.1 IFRS 16 Leases

The IASB has issued a new standard for the recognition of leases. This standard will replace:

- IAS 17 – 'Leases'
- IFRS Interpretations Committee 4 – 'Whether an arrangement contains a lease' ("IFRIC 4")
- Standards Interpretation Committee 15 – 'Operating leases – Incentives' ("SIC 15")
- SIC-27 – 'Evaluating the substance of transactions involving the legal form of a lease'

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

2 BASIS OF PREPARATION (continued)

2.5 Standards issued but not yet effective (continued)

2.5.1 IFRS 16 Leases (continued)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Company plans to adopt IFRS 16 with modified retrospective approach and will not restate previous periods while adjusting the difference between right of use assets and lease liability in the beginning balance of 2019 retained earnings as allowed by IFRS 16. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17.

The Company plans to use the exemption proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, or lease contracts for which underlying asset is of low value.

The Company has performed an impact assessment of IFRS 16 based on which, the adoption would not have any impact on the financial statements of the Company.

2.5.2 Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Company.

2.5.3 Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The amendment to IFRS 10 and IAS 28 has no impact on the Company.

2.5.4 Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

2 BASIS OF PREPARATION (continued)

2.5 Standards issued but not yet effective (continued)

2.5.4 Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (continued)

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in the statement of comprehensive income. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

2.5.5 Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. The amendments no impact on the financial statements of the Company.

2.5.6 Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

IFRS 3 Business Combinations **-** The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments have no impact on the financial statements of the Company.

IFRS 11 Joint Arrangements **-** A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments have no impact on the financial statements of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted for the preparation of these financial statements are as follows:

Current versus non-current classification
The Company presents assets and liabilities in statement of financial position based on current / non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. 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.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 —Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 —Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold improvements and equipment
Leasehold improvements and equipment are initially recorded at cost and are subsequently stated at cost less accumulated depreciation and any impairment in value. The cost of leasehold improvements and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. The following rates of depreciation are applied:

Leasehold improvements	33.33%
Office equipment	25%
Computers	33.33%

The carrying values of leasehold improvements and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. The excess of carrying value over the estimated recoverable amount is charged to the statement of comprehensive income.

Capital work in progress is not depreciated. Capital work-in-progress represents all costs relating directly and indirectly to the project in progress and is capitalized when the project is completed.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Capital work in progress is not amortised. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of income when the asset is derecognised.

The estimated useful life of software is 3 years and residual values are reviewed at each reporting date and the changes are adjusted, if required.

Cash and bank balances
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, cash in bank and short-term murabaha deposits with original maturity of three months or less.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments
Classification of financial assets
On initial recognition, a financial asset is classified as amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through statement of income ("FVIS").

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

- the asset is held within a business model whose objective is to hold assets 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 finance cost on the principal amount outstanding.

Financial asset at FVOCI

- *Debt instruments*
  A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVIS:
  - the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (HTCS); 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.
- *Equity instruments*
  On initial recognition, for an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial asset at FVIS
All other financial assets are classified as measured at FVIS.

In addition, 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 FVIS if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Business model assessment
The Company makes an assessment of the objective of a business model under 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 special commission revenue, maintaining a particular special commission rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- 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 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.

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 originated or newly purchased financial assets going forward.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)
Classification of financial assets (continued)

Business model assessment (continued)

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and interest ("SPPI"criteria)
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with 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 the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of interest rates.

Classification of financial liabilities
Upon initial recognition, the Company classifies its financial liabilities, as measured at amortised cost.

Subsequently, financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through statement of income or an entity has opted to measure a liability at fair value through income statement as per the requirements of IFRS 9.

Derecognition

Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial 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 it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in statement of income.

From 1 January 2018, any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in statement of income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Modifications of financial assets and financial liabilities

Financial assets
If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as finance income.

Financial liabilities
The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in statement of income.

Impairment
The Company recognizes loss allowances for Expected Credit Loss (“ECL”) on the following financial instruments that are not measured at FVIS:

- financial assets that are debt instruments; and
- loan commitments issued, if any.

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The Company categorizes its financial assets into following three stages in accordance with the IFRS 9 methodology:

- Stage 1 – Financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months PD.

- Stage 2 – Financial assets that has significantly deteriorated in credit quality since origination**.**

The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on life time PD.

- Stage 3 – For Financial assets that are impaired, the Company is recognize the impairment allowance based on life time PD.

The Company also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment (continued)
The forward-looking information will include the elements such as expert judgement, macroeconomic factors (e.g., loan growth, oil prices, GDP annual growth rate and consumer spending) and economic forecasts obtained through internal and external sources.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: 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 the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL against financial assets measured at amortised cost are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

Write-off
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Employees benefits liabilities
These represent end-of-service and ex-gratia benefits ("employees benefits") under defined unfunded benefit plans. End-of-service benefits, as required by Saudi Arabia Labor Law, are required to be provided based on the employees' length of service. Ex-gratia benefits represent additional post-employment benefits payable to those employees who leave the Company after completing a minimum of ten years of service.

The Company's net obligations in respect of defined unfunded benefit plans ("the obligations") is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs.

The discount rate used is the market yield on high quality corporate bonds at the reporting date that has maturity dates and the risk profile approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation, with actuarial valuations to be carried out every third year and updated for the following two years for material changes, if any. The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognized. Currently there are no past service costs. The full amount of actuarial gains and losses are recognized in statement of changes in shareholders' equity in the year in which they arise.

Revenue
Income from financing and advances
Income from financing and advances is recognized on an accrual/time proportion basis using the effective special commission method at Company's prevailing special commission rates for the loan products. Income on such portfolio is collected with loan installments along with additional service charge accrued, if any.

Contract fee income
Contract fee income less any directly attributable expenses is deferred and recognized over the period of the contract, as an adjustment to the effective interest rate

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses
Selling and marketing expenses principally comprise of costs incurred in the marketing and sale of the Company's products / services. All expenses other than direct costs are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of the operating activities of the Company. Allocations between general and administrative expenses and direct costs, when required, are made on a consistent basis.

Finance income
Finance income is recognised on an accrual basis using the effective yield basis.

Zakat
Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia and on accruals basis. As set out in the note 2.2, zakat charge for period is charged directly to the statement of changes in shareholder's equity with a corresponding liability recognized in the statement of financial position. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Foreign currency translation
Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Leases
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

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

4 LEASEHOLD IMPROVEMENTS AND EQUIPMENT

	Leasehold improvements SR	*Office equipment SR*	*Computers SR*	***Total 31 December 2018 SR***	*Total 31 December 2017 SR*
Cost					
At the beginning of the year / period	89,900	21,453	4,289	**115,642**	-
Additions during the year / period	48,316	7,891	4,389	**60,596**	115,642
At the end of the year / period	**138,216**	**29,344**	**8,678**	**176,238**	115,642
Accumulated depreciation:					
At the beginning of the year / period	15,436	9,655	110	**25,201**	-
Charge for the year/period (note 15)	35,252	5,325	2,524	**43,101**	25,201
At the end of the year / period	**50,688**	**14,980**	**2,634**	**68,302**	25,201
Net book value:					
At 31 December 2018	**87,528**	**14,364**	**6,044**	**107,936**	
At 31 December 2017	74,464	11,798	4,179		90,441

5 INTANGIBLE ASSETS

	Software SR	*Capital work in progress (note a) SR*	***Total 31 December 2018 SR***	*Total 31 December 2017 SR*
Cost:				
At the beginning of the year / period	-	327,378	**327,378**	-
Additions during the year / period	-	416,124	**416,124**	327,378
Transfers	539,393	(539,393)	**-**	-
At the end of the year / period	**539,393**	**204,109**	**743,502**	327,378
Accumulated amortisation:				
At the beginning of the year / period	-	-	-	-
Charge for the year / period (note 15)	118,463	-	**118,463**	-
At the end of the year / period	118,463	-	**118,463**	-
Net book value:				
At 31 December 2018	**420,930**	**204,109**	**625,039**	
At 31 December 2017	-	327,378		327,378

a) During the year, the project relating to implementation of software has been completed and the related capital work in progress has been transferred to relevant category of ‘software’; which is amortised over the period of three years from the date it was available for the intended use.

Further, the capital work in progress as at year end represents cost incurred in relation to online website development. The development of online website is in progress as at 31 December 2018.

6 FINANCING AND ADVANCES, NET

	31 December 2018 SR	*31 December 2017 SR*
Gross financing and advances	**59,950,395**	-
Less: unearned finance income	**(7,876,235)**	-
	52,074,160	-
Less: allowance for doubtful debts (note 17)	**(563,503)**	-
Financing and advances, net	**51,510,657**	-

		31 December 2018			
		Gross financing and advances SR	***Unearned finance income SR***	***Allowance for doubtful debts SR***	***Financing and advances, net SR***
Current portion	2019	**37,145,836**	**(4,897,011)**	**(563,503)**	**31,685,322**
Non-current portion	2020	**13,656,602**	**(1,586,366)**	**-**	**12,070,236**
	2021	**4,325,678**	**(826,079)**	**-**	**3,499,599**
	2022	**2,802,425**	**(429,825)**	**-**	**2,372,600**
	2023 and onwards	**2,019,854**	**(136,954)**	**-**	**1,882,900**
		59,950,395	**(7,876,235)**	**(563,503)**	**51,510,657**

a) During the year, the Company has recorded the impairment charge against financing and advances amounting to SR 563,503 (see note 17).

b) As at 31 December 2018, the Company did not have any gross financing and advances which are past due and considered impairment by the management (31 December 2017: SR Nil).

7 ACCRUED INCOME, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2018 SR	*31 December 2017 SR*
Prepayments	**116,563**	146,532
Employees' receivables – current portion	**204,157**	-
Finance income receivable	**-**	104,536
Other	**45,993**	50
	366,713	251,118

8 CASH AND BANK BALANCES

	31 December 2018 SR	*31 December 2017 SR*
Cash and cash equivalents	**2,159,054**	99,946,804
Murabaha deposits (original maturity of more than 3 months)	**45,381,188**	-
	47,540,242	99,946,804

During the year, the Company earned finance income of SR 1,508,332 (for the period from 4 April 2017 to 31 December 2017: SR 703,668) on bank balances and investment in murabaha deposits at the rate of return ranging from 1.35% to 2.85% (for the period from 4 April 2017 to 31 December 2017: 0.45% to 1.80%).

As at 31 December 2018, cash and cash equivalents include murabaha deposits of Nil (31 December 2017: SR 85 million, having original maturity of less than three months).

9 EMPLOYEES BENEFITS LIABILTIES

The main financial assumptions used to calculate the indicative defined unfunded benefit plans liabilities are as follows:

	2018	2017
Discount rate	**4.5%**	-
Expected rate of salary increase	**2.5%**	-

The amounts recognized in the statement of comprehensive income in respect of these benefits are as follows:

	31 December 2018 SR	*31 December 2017 SR*
Interest cost (notes 9.1 and 9.2)	**39,031**	-

The present value of total employees benefits liabilities is as follows:

	31 December 2018 SR	*31 December 2017 SR*
End-of-service benefits (note 9.1)	**1,222,000**	-
Ex-gratia benefits (note 9.2)	**867,000**	-
	2,089,000	-

9 EMPLOYEES BENEFITS LIABILTIES (continued)

9.1 The movement in the present value of the end-of-service benefits is as follows:

	For the year ended 31 December 2018 SR	*For the period from 4 April 2017 to 31 December 2017 SR*
Interest cost	**28,002**	-
Adjustment for actuarial gains	**(55,000)**	-
Benefits paid	**(56,019)**	-
Transferred during the year/period – net (note 11)	**1,305,017**	-
At 31 December	**1,222,000**	-

9.2 The movement in the present value of the ex-gratia benefits is as follows:

	For the year ended 31 December 2018 SR	*For the period from 4 April 2017 to 31 December 2017 SR*
Interest cost	**11,029**	-
Adjustment for actuarial loss	**528,000**	-
Transferred during the year/period – net (note 11)	**327,971**	-
At 31 December	**867,000**	-

Sensitivity analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

End of service benefits	**31 December 2018**		**31 December 2017**	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(131,000)	147,000	-	-
Future salary growth (1% movement)	147,000	(131,000)	-	-

Ex-gratia benefits	**31 December 2018**		**31 December 2017**	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(104,000)	117,000	-	-
Future salary growth (1% movement)	117,000	(104,000)	-	-

10 ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2018 SR	*31 December 2017 SR*
Accrued expenses	**967,761**	70,000
Advances from customers	**27,056**	-
Other payables	**44,550**	62,573
	1,039,367	132,573

11 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management. Following are the details of related party transactions during the year/period:

Related party	**Nature of transactions**	***For the year ended 31 December 2018 SR***	*From 4 April 2017 to 31 December 2017 SR*
Al Mumaizah United Commerce Company Limited (the "Parent Company")	Payments made on behalf of the Company	**1,448,488**	861,151
Bab Rizq Jameel Service Company Limited	Payments made on behalf of the Company	**1,444,124**	802,179
	Employees' cost (see note below)	**875,867**	-
	Transfer of employees benefits liabilities	**1,632,988**	-
	Transfer of employees vacation accrual	**172,752**	-
	Transfer of employees' advances	**709,870**	-
	Collections made on behalf of the Company	**102,362**	-
Abdul Latif Jameel United Finance Company (A Saudi Closed Joint Stock Company)	Shared services (excluding value added tax 'VAT') (see note 15)	**1,106,185**	-
Abdul Latif Jameel Company for Information and Services Limited	Payments made on behalf of the company	**41,344**	-
	Charges for customer evaluations prior financing and advances (excluding VAT)	**129,787**	-

Until 31 March 2018, the employee's related costs incurred by the affiliate have been absorbed by the affiliate and no such expenses have been re-charged to the Company. With effect from 1 April 2018, all employees' related costs incurred by the affiliate, if any, have been allocated to the Company based on mutual understanding. Further, all support activities to run the affairs of the Company were being carried out by the employees of Bab Rizq Jameel Service Company Limited, an affiliate, since date of incorporation until 31 July 2018.

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Due to related parties:
Due to related parties comprise the following:

	31 December 2018 SR	*31 December 2017 SR*
Bab Rizq Jameel Service Company Limited	**1,423,939**	802,179
Abdul Latif Jameel United Finance Company (A Saudi Closed Joint Stock Company)	**580,747**	-
Al Mumaizah United Commerce Company Limited (the "Parent Company")	**-**	216,425
Abdul Latif Jameel Company for Information and Services Limited	**27,317**	-
	2,032,003	1,018,604

The total amount of compensation paid to key management personnel during the year is as follows:

	2018 SR	*2017 SR*
Remuneration	**381,405**	-
Short-term employees benefits	**175,000**	-
Employees benefits liabilities	**49,098**	-
	605,503	-

12 ZAKAT

Charge for the period
The zakat charge for the year ended 31 December 2018 is SR 894,533 (for the period from 4 April 2017 to 31 December 2017: SR Nil)

Status of zakat assessments
The Company has submitted zakat declaration for the period from 4 April 2017 to 31 December 2017, which is being reviewed by General Authority of Zakat and Tax (GAZT). The Company has a No Objection Letter valid to 30 April 2019.

13 REVENUES

	From the year ended 31 December 2018 SR	*From 4 April 2017 to 31 December 2017 SR*
Income from financing and advances	**1,299,585**	-
Contract fee income	**127,641**	-
	1,427,226	-

14 LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the year/period by the weighted average number of ordinary shares outstanding during the year/period. The calculation of diluted loss per share is not applicable to the Company. The basic and diluted loss per share are calculated as follows:

	From the year ended 31 December 2018 SR	*From 4 April 2017 to 31 December 2017 SR*
Net loss for the year/period	**(3,638,071)**	(535,436)
Weighted average number of ordinary shares (note 1)	**10,000,000**	10,000,000
Basic and diluted loss per share (SR per share)	**(0.36)**	(0.05)

15 GENERAL AND ADMINISTRATIVE EXPENSES

	From the year ended 31 December 2018 SR	*From 4 April 2017 to 31 December 2017 SR*
Salaries and related costs	**2,954,567**	-
Expenses recharged (see note 11)	**1,106,185**	-
Professional fees	**501,702**	366,656
Rent	**378,949**	265,279
Travel	**193,422**	124,105
Amortization (note 5)	**118,463**	-
Depreciation (note 4)	**43,101**	25,201
License cost	**94,842**	68,668
Others	**372,461**	239,328
	5,763,692	1,089,237

16 STATUTORY RESERVE

As required by Companies' Law, at least 10% of the net income for the year/period is required to be transferred to the statutory reserve. As per the Company's By-laws, the shareholders may resolve to discontinue such transfers when the reserve totals 30% of the capital. The reserve is not available for distribution. No amount has been transferred to the statutory reserve during the year/period, as the Company has incurred a loss.

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to interest rate risk, liquidity risk, credit risk and currency risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by the Group's Treasury Department that advises on the financial risks and the appropriate financial risk governance framework. The Treasury Department provides assurance to the senior management that the financial risk activities are governed by appropriate policies and procedures and that the financial risks are identified, measured and managed in accordance with the policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

i) 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 does not have any floating interest bearing assets or liabilities. Accordingly, the Company is not exposed to any significant interest rate risk.

Interest rate sensitivity of assets, liabilities and off statement of financial position items
The Company manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarizes the Company's exposure to interest rate risks. Included are the Company's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

i) Interest rate risk (continued)

Interest rate sensitivity of assets, liabilities and off statement of financial position items (continued)

	Interest bearing			*Non-interest bearing*	*Total*
31 December 2018	*Within 1 year SR*	*1 to 3 yeas SR*	*Over 3 years SR*	*SR*	*SR*
Assets					
Leasehold improvements and equipment	-	-	-	107,936	107,936
Intangible assets	-	-	-	625,039	625,039
Financing and advances, net	31,685,322	15,569,835	4,255,500	-	51,510,657
Employees' receivables	-	-	-	363,276	363,276
Accrued income, prepayments and other receivables	-	-	-	366,713	366,713
Cash and bank balances	45,381,188	-	-	2,159,054	47,540,242
Total assets	77,066,510	15,569,835	4,255,500	3,622,018	100,513,863
Liabilities					
Employees benefits liabilities	-	-	-	2,089,000	2,089,000
Accrued expenses and other payables	-	-	-	1,039,367	1,039,367
Due to related parties	-	-	-	2,032,003	2,032,003
Zakat payable	-	-	-	894,533	894,533
Total liabilities	-	-	-	6,054,903	6,054,903
Gap	77,066,510	15,569,835	4,255,500	(2,432,885)	94,458,960

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

i) Interest rate risk (continued)

Interest rate sensitivity of assets, liabilities and off statement of financial position items (continued)

	Interest bearing			*Non-interest bearing*	*Total*
31 December 2017	*Within 1 year*	*1 to 3 yeas*	*Over 3 years*		
	SR	*SR*	*SR*	*SR*	*SR*
Assets					
Leasehold improvements and equipment	-	-	-	90,441	90,441
Intangible assets	-	-	-	327,378	327,378
Accrued income, prepayments and other receivables	-	-	-	251,118	251,118
Cash and bank balances	85,000,000	-	-	14,946,804	99,946,804
Total assets	85,000,000	-	-	15,615,741	100,615,741
Liabilities					
Accrued expenses and other payables	-	-	-	132,573	132,573
Due to related parties	-	-	-	1,018,604	1,018,604
Total liabilties	-	-	-	1,151,177	1,151,177
Gap	85,000,000	-	-	14,464,564	99,464,564

ii) Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies, in case the Company does not hedge its currency exposure by means of hedging instruments. All of the purchases and sales of the Company are made in Saudi Riyals. As the Company did not undertake significant transactions in currencies other than Saudi Riyal, during the year/period, the Company was not exposed to any significant currency risk.

iii) Other price risk

The Company is not exposed to other price risk such as equity risk and commodity risk as the Company is neither involved in investment in trading securities nor the commodities.

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and concentration of credit risk

Credit risk arises from the possibility of asset impairment occurring because counter parties cannot meet their obligations in transactions involving financial instruments. The Company is exposed to credit risk on cash and bank balances, financing and advances, employees' receivables, and other receivables. The Company has established procedures to manage credit exposure including credit approvals, credit limits and guarantee requirements. These procedures are based on the Company's internal guidelines.

Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of customers.

The Company mitigates its credit risk through evaluation of credit worthiness by obtaining promissory notes and guarantee requirements. For certain types of customers, the maximum credit limits are defined. An allowance for doubtful financing and advances is maintained at a level which, in the judgment of management, is adequate to provide for impairment losses on delinquent receivables.

All financing and advances are secured mainly through promissory notes and yield a fixed rate of commission for each contract. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account any guarantees and promissory notes obtained.

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost as at 31 December 2018. Unless specifically indicated, for financial assets, the amounts in the table represent net carrying amounts.

a) Gross carrying financing and advances

	12 month ECL SR	*Life time ECL not credit impaired SR*	*Lifetime ECL credit impaired SR*	*Total SR*
31 December 2018	**52,074,160**	**-**	**-**	**52,074,160**

b) Allowance for ECL

	12 month ECL SR	*Life time ECL not credit impaired SR*	*Lifetime ECL credit impaired SR*	*Total SR*
31 December 2018	**563,503**	**-**	**-**	**563,503**

As mentioned in note 2.4, the Company did not have any impact on its statement of financial position and equity as of 1 January 2018, as the Company was incorporated in 2017 and no financing activities were carried out by the Company during the period from 4 April 2017 to the effective date.

Amounts arising from ECL – Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, 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 expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure based on approved stages of criteria.

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and concentration of credit risk (continued)

Credit risk grades
The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

a) Generating the term structure of PD
Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used.

The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors include loan growth, oil prices, GDP annual growth rate and consumer spending etc. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (discussion on incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

b) Determining whether credit risk has increased significantly
The criteria for determining whether credit risk has increased significantly include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition, which is determined under basis of Company's staging criteria.

Using its expert credit judgment and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and.
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

c) Modified financial assets
The contractual terms of a financing and advances may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing and advances whose terms have been modified may be derecognised and the renegotiated financing and advances recognised as a new financing and advances at fair value in accordance with the accounting policy.

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and concentration of credit risk (continued)

Credit risk grades (continued)

c) Modified financial assets (continued)
When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

The Company renegotiates financing and advances to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Company's policy, financing and advances forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

d) Definition of 'Default'
A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any material credit obligations to the Company including principal instalments, finance cost payments and fees.
- The Company considers that the obligor 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).

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

e) Incorporation of forward looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Company economics department experts and consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private sector and academic forecasters.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

f) Measurement of ECL
The key inputs into the measurement of ECL are the term structure of the following variables:

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on models and assessed using tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the recoveries and costs incurred in the process to arrive at the estimates.

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and concentration of credit risk (continued)

Credit risk grades (continued)

f) Measurement of ECL (continued)
EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

The Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a financing and advances commitment or guarantee.

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Company's financial liabilities primarily consist of due to related parties and accrued expenses. A significant portion of these financial liabilities of the Company are expected to be settled within 12 months from the reporting date and the Company expects to have adequate liquid funds to do so.

a) Maturity analysis of assets and liabilities as per management estimation

The table below shows an analysis of assets and liabilities, analyzed according to when they are expected to be recovered or settled.

	Fixed maturity					
31 December 2018	***On Demand SR***	***Less than 3 months SR***	***3 to 12 months SR***	***Over 1 year***	***No fixed maturity SR***	***Total SR***
Assets						
Leasehold improvements and equipment	-	-	-	-	107,936	**107,936**
Intangible asset	-	-	-	-	625,039	**625,039**
Financing and advances, net	-	-	31,685,322	19,825,335	-	**51,510,657**
Accrued income, prepayments and other receivables	-	162,556	204,157	363,276	-	**729,989**
Cash and bank balances	2,159,054	-	45,381,188	-	-	**47,540,242**
Total assets	**2,159,054**	**162,556**	**77,270,667**	**20,188,611**	**732,975**	**100,513,863**
Liabilities						
Employees benefits liabilities	-	-	-	-	2,089,000	**2,089,000**
Accrued expenses and other payables	-	71,606	736,932	230,829	-	**1,039,367**
Due to related parties	-	-	2,032,003	-	-	**2,032,003**
Zakat payable	-	-	894,533			**894,533**
Total liabilities	**-**	**71,606**	**3,663,468**	**230,829**	**2,089,000**	**6,054,903**

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	Fixed maturity				
31 December 2017	*On demand SR*	*Less than 3 months SR*	*3 to 12 months SR*	*No fixed maturity SR*	*Total SR*
Assets					
Leasehold improvements and equipment	-	-	-	90,441	90,441
Intangible assets	-	-	-	327,378	327,378
Accrued income, prepayments and other receivables	-	251,118	-	-	251,118
Cash and bank balances	14,946,804	85,000,000	-	-	99,946,804
Total assets	14,946,804	85,251,118	-	417,819	100,615,741
Liabilities					
Accrued expenses	132,573	-	-	-	132,573
Due to related parties	1,018,604	-	-	-	1,018,604
Total liabilities	1,151,177	-	-	-	1,151,177

Capital Management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies or processes for managing capital during the year ended 31 December 2018.

The Company monitors aggregate amount of micro financing offered by the Company on the basis of the regulatory requirements of SAMA that requires Finance Companies engaged in financing other than real estate, to maintain aggregate financing to capital ratio of three times. Since no microfinance activities had been carried out in the period from 4 April 2017 to 31 December 2017; hence, aggregate financing to capital ratio for the said period is not applicable.

	31 December 2018 SR
Aggregate financing to capital ratio *(Financing and advances divided by total shareholders' equity)*	0.55 times

18 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Company's financial assets consist of cash and bank balances, financing and advances, employees' receivables, and other receivables. Its financial liabilities consist of due to related parties and other liabilities.

The fair values of the financial instruments are not materially different from their carrying values, except for financing and advances.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

19 SEGMENT REPORTING

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Company carries out its activities entirely in the Kingdom of Saudi Arabia and is only engaged in microfinance activities as a result, the operations of the Company have been considered as one segment.

20 BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on 19 February 2019 (corresponding to 14 Jumada II 1440H).