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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND REVIEW REPORT

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

Ernst & Young & Co. (Public Accountants)
13th Floor – King's Road Tower
PO Box 1994
King Abdulaziz Road (Malek Road)
Jeddah 21441
Saudi Arabia
Registration Number: 45

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

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REVIEW REPORT

To the shareholders
Bab Rizq Jameel Microfinance Company
(A Saudi Closed Joint Stock Company)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Bab Rizq Jameel Microfinance Company (A Saudi Closed Joint Stock Company) ("the Company") as at 30 June 2018 and the related interim condensed statement of comprehensive income for the three-month and six-month periods then ended, and the interim condensed statements of changes in shareholders' equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes, which form an integral part of these interim condensed financial statements. The Company's management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard "Interim Financial Reporting" ("IAS 34") as modified by Saudi Arabian Monetary Authority (SAMA) for accounting of zakat and income tax. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

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

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for accounting of zakat and income tax.

Emphasis of matter:

We draw attention to note 2 to the interim condensed financial statements. As stated therein, The Company's first set of statutory financial statements had been prepared for the period from 4 April 2017 to 31 December 2017. The Company did not prepare the interim condensed financial statements for the period from 4 April 2017 to 30 June 2017, as it was not mandated by regulatory authorities and the comparative information has been presented for comparison purposes only. Accordingly, no conclusion was issued on the interim condensed financial statements for the period from 4 April 2017 to 30 June 2017. Our conclusion is not modified in respect of this matter.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

24 July 2018
11 Dhul-Qi'dah 1439H

Jeddah
18/466/00

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three month and six month periods ended 30 June 2018

	Notes	***For the three month period ended 30 June 2018 SR Unaudited***	***For the six month period ended 30 June 2018 SR Unaudited***	*For the period from 4 April 2017 to 30 June 2017 SR Unaudited (note 2.1)*
Revenues	3	**180,210**	**180,210**	-
Direct cost		**(34,740)**	**(34,740)**	-
GROSS MARGIN		**145,470**	**145,470**	-
General and administrative expenses		**(1,250,916)**	**(1,652,131)**	-
Impairment charge against financing and advances	5	**(83,261)**	**(83,261)**	-
TOTAL OPERATING EXPENSES		**(1,334,177)**	**(1,735,392)**	-
LOSS FROM OPERATIONS		**(1,188,707)**	**(1,589,922)**	-
Finance income	6	**442,763**	**759,754**	132,694
NET (LOSS)/ INCOME FOR THE PERIOD		**(745,944)**	**(830,168)**	132,694
OTHER COMPREHENSIVE (LOSS)/INCOME				
Other comprehensive (loss)/income for the period		-	-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(745,944)**	**(830,168)**	132,694
Basic and diluted (loss)/earnings per share (expressed in SR per share)	9	**(0.07)**	**(0.08)**	0.01

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

ASSETS	*Notes*	***30 June 2018 Unaudited SR***	*31 December 2017 Audited SR*
NON-CURRENT ASSETS			
Leasehold improvements and equipment		**71,948**	90,441
Intangible assets	4	**421,559**	327,378
Financing and advances, net	5	**5,095,487**	-
TOTAL NON-CURRENT ASSETS		**5,588,994**	417,819
CURRENT ASSETS			
Financing and advances, net	5	**7,671,374**	-
Accrued income, prepayments and other receivables		**897,735**	251,118
Cash and cash equivalents	6	**86,928,155**	99,946,804
TOTAL CURRENT ASSETS		**95,497,264**	100,197,922
TOTAL ASSETS		**101,086,258**	100,615,741
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	1	**100,000,000**	100,000,000
Accumulated losses		**(2,606,104)**	(535,436)
TOTAL SHAREHOLDERS' EQUITY		**97,393,896**	99,464,564
CURRENT LIABILITIES			
Accrued expenses and other payables		**1,341,827**	132,573
Due to related parties	7	**1,110,035**	1,018,604
Zakat payable	8	**1,240,500**	-
TOTAL LIABILITIES		**3,692,362**	1,151,177
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**101,086,258**	100,615,741

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

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
For the six month period ended 30 June 2018

	Share capital ***SR***	***Accumulated losses/ retained earnings*** ***SR***	***Total*** ***SR***
Balance as at 31 December 2017 (audited)	100,000,000	(535,436)	**99,464,564**
Total comprehensive loss for the period	-	(830,168)	**(830,168)**
Zakat charge for the period (note 8)	-	(1,240,500)	**(1,240,500)**
Balance as at 30 June 2018 (unaudited)	**100,000,000**	**(2,606,104)**	**97,393,896**
Balance as at 4 April 2017 (note 2.1)	-	-	-
Issue of share capital	100,000,000	-	100,000,000
Total comprehensive income for the period from 4 April 2017 to 30 June 2017	-	132,694	132,694
Balance as at 30 June 2017 (unaudited) (note 2.1)	100,000,000	132,694	100,132,694

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six month period ended 30 June 2018

	Notes	***For the six month period ended 30 June 2018 SR Unaudited***	*For the period from 4 April 2017 to 30 June 2017 SR Unaudited (note 2.1)*
OPERATING ACTIVITIES			
Net (loss)/income for the period		**(830,168)**	132,694
Adjustments to reconcile (loss)/income for the period to net cash flows:			
Depreciation		**18,493**	-
Amortisation	4	**38,897**	-
Impairment charge against financing and advances	5	**83,261**	-
Finance income	6	**(759,754)**	(132,694)
		(1,449,271)	-
Changes in operating assets and liabilities:			
Prepayments and other receivables		**(441,307)**	-
Financing and advances		**(12,850,122)**	-
Accrued expenses		**1,209,254**	-
Due to related parties		**91,431**	-
Net cash used in operating activities		**(13,440,015)**	-
INVESTING ACTIVITIES			
Finance income received		**554,444**	-
Addition to intangible asset	4	**(133,078)**	-
Cash from investing activities		**421,366**	-
FINANCING ACTIVITY			
Issue of share capital		-	100,000,000
Cash from financing activity		-	100,000,000
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(13,018,649)**	100,000,000
Cash and cash equivalents at the beginning of the period	6	**99,946,804**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	**86,928,155**	100,000,000

The attached notes 1 to 13 form an integral part of these unaudited interim condensed 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 30 June 2018 and 31 December 2017, the share capital of the Company was owned as follows:

	No. of shares of SR 10 each	***30 June 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.

2 BASIS OF PREPARATION

2.1 Basis of preparation 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 had been prepared for the period from 4 April 2017 to 31 December 2017. Accordingly, comparative information presented in the interim condensed statements of comprehensive income, changes in shareholders' equity and cash flows for the period from 4 April 2017 to 30 June 2017 is not comparable. Further, the Company did not prepare the interim condensed financial statements for the period from 4 April 2017 to 30 June 2017, as it was not mandated by regulatory authorities and the comparative information in these interim condensed financial statements has been presented for comparison purposes only.

These interim condensed financial statements are prepared under the historical cost convention.

2.2 Statement of compliance

During 2017, the Saudi Arabian Monetary Authority (SAMA) issued a Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting for Zakat and income tax. The impact of these amendments is that Zakat and income tax are to be recognized in the interim condensed statement of changes in shareholders' equity with a corresponding liability recognized in the interim condensed statement of financial position.

Applying the above, the interim condensed financial statements of the Company as at and for the six month period ended 30 June 2018 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as modified by Saudi Arabian Monetary Authority (SAMA) for accounting of zakat and income tax.

2 BASIS OF PREPARATION (continued)

2.2 Statement of compliance (continued)

These interim condensed financial statements do not include all the information required for annual financial statements, and should be read in conjunction with the Company's financial statements for the period from 4 April 2017 to 31 December 2017.

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 2.5. In preparing these interim condensed 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 10, considering IFRS 9 first time adoption.

2.3 Functional and presentation currency

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

2.4 Significant accounting judgements, estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Company based its assumptions and estimates on parameters available when the interim condensed financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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 interim condensed financial statements have been prepared on a going concern basis.

Useful lives of leasehold improvements and equipment
The 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.

2.5 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 interim condensed 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)

2.5 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 interim condensed 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 interim condensed financial statements.

2.6 Significant accounting polices

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the financial statements for the period ended 31 December 2017, except as explained below. Based on the adoption of new standards explained in note 2.5, the following accounting policies are applicable effective 1 January 2018 replacing amending or adding to the corresponding accounting policies set out in audited financial statements for the period from 4 April 2017 to 31 December 2017

2.6.1 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.

2 BASIS OF PREPARATION (continued)

2.6 Significant accounting polices (continued)

2.6.1 Classification of financial assets (continued)

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.

2.6.2 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.

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.

2 BASIS OF PREPARATION (continued)

2.6 Significant accounting polices (continued)

2.6.3 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.

2.6.4 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.

2.6.5 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 interim condensed 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 interim condensed 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.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and- repurchase transactions, as the Company retains all or substantially all of the risks and rewards of ownership of such assets.

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.

2 BASIS OF PREPARATION (continued)

2.6 Significant accounting polices (continued)

2.6.6 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 interim condensed 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 interim condensed statement of income.

2.6.7 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.

2 BASIS OF PREPARATION (continued)

2.6 Significant accounting polices (continued)

2.6.7 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.

2.6.8 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;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less cash flows that the Company expects to receive any.

2.6.9 Presentation of allowance for ECL in the interim condensed statement of financial position

Loss allowances for ECL are presented in the interim condensed statement of financial position as follows:

Financial assets measured at amortised cost

- as a deduction from the gross carrying amount of the assets;

Financial instrument includes both a drawn and an undrawn component

- where the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

Debt instruments measured at FVOCI

- no loss allowance is recognised in the interim condensed statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve. Impairment losses are recognised in interim condensed statement of income and changes between the amortised cost of the assets and their fair value are recognised in OCI.

2.6.10 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.

2.6.11 Revenue

Income on microfinance loan portfolio 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 alongwith additional service charge accrued, if any.

2 BASIS OF PREPARATION (continued)

2.7 Change in significant accounting judgments, estimates and assumptions

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 12,850,122 (31 December 2017: Nil), and the allowance for doubtful debts relating to financing and advances was SR 83,261 (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.

3 REVENUES

	For the three month period ended 30 June 2018 ***SR*** ***Unaudited***	***For the six month period ended 30 June 2018*** ***SR*** ***Unaudited***	*For the period from 4 April 2017 to 30 June 2017* *SR* *Unaudited (note 2.1)*
Income from financing and advances	**21,267**	**21,267**	-
Contract fee income	**158,943**	**158,943**	-
	180,210	**180,210**	-

4 INTANGIBLE ASSETS

	Software	*Capital work in progress (note a)*	***Total 30 June 2018 Unaudited SR***	*Total 31 December 2017 Audited SR*
Cost:				
At the beginning of the period	-	327,378	**327,378**	-
Additions during the period		133,078	**133,078**	327,378
Transfers	460,456	(460,456)	**-**	-
At the end of the period	460,456	-	**460,456**	327,378
Accumulated amortisation:				
At the beginning of the period	-	-	**-**	-
Charge for the period	38,897	-	**38,897**	-
At the end of the period	38,897	-	**38,897**	-
Net book value:				
At 30 June 2018	421,559	-	**421,559**	
At 31 December 2017	-	327,378		327,378

a) This represented cost incurred in relation to implementation of software acquired by the Company; which is amortised over the period of three years from the date it was available for the intended use. During the period, software implementation has been completed and transferred to the relevant category.

5 FINANCING AND ADVANCES, NET

	30 June 2018 Unaudited SR	*31 December 2017 Audited SR*
Gross financing and advances	**15,228,288**	-
Less: unearned finance income	**(2,378,166)**	-
	12,850,122	-
Less: allowance for doubtful debts (note 10)	**(83,261)**	-
Financing and advances, net	**12,766,861**	-

5 FINANCING AND ADVANCES, NET (continued)

	30 June 2018-Unaudited			
	Gross financing and advances SR	***Unearned finance income SR***	***Allowance for doubtful debts SR***	***Financing and advances, net SR***
Current portion	**9,054,598**	**(1,299,963)**	**(83,261)**	**7,671,374**
Non-current portion	**6,173,690**	**(1,078,203)**	**-**	**5,095,487**
	15,228,288	**(2,378,166)**	**(83,261)**	**12,766,861**

a) During the period, the Company has recorded the impairment charge against financing and advances amounting to SR 83,261(see note 10).

b) As at 30 June 2018, gross financing and advances which, are past due and considered impairment by the management amounting to SR 1,864 (31 December 2017: SR Nil) which falls in 0-3 month bucket. Further, not yet due portion of these overdue financing and advances as of 30 June 2018 amounting to SR 34,136 (31 December 2017: SR Nil).

6 CASH AND CASH EQUIVALENTS

	30 June 2018 Unaudited SR	*31 December 2017 Audited SR*
Bank balances	**21,928,155**	14,946,804
Short term deposit (see note below)	**65,000,000**	85,000,000
	86,928,155	99,946,804

This represents murabaha deposit having original maturity of less than three months. During the period, the Company earned finance income of SR 759,754 (for the period from 4 April 2017 to 30 June 2017: SR 132,694) at the rate of return ranging from 1.35% to 2.23% (for the period from 4 April 2017 to 30 June 2017: 0.45% to 0.95%).

7 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 period:

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party	Nature of transactions	*For the three month period ended 30 June 2018 SR Unaudited*	*For the six month period ended 30 June 2018 SR Unaudited*	*For the period from 4 April 2017 to 30 June 2017 SR Unaudited (note 2.1)*
Al Mumaizah United Commerce Company Limited (the "Parent Company")	Payments made on behalf of the Company	**209,188**	**626,557**	-
Bab Rizq Jameel Service Company Limited	Payments made on behalf of the Company	**14,300**	**57,906**	-
	Employees' cost (see note below)	**656,901**	**656,901**	
Abdul Latif Jameel United Finance Company (A Saudi Closed Joint Stock Company)	Shared services	**125,000**	**250,000**	-

There are no employees employed by the Company since date of incorporation. All support activities to run the affairs of the Company are being carried out by the employees of Bab Rizq Jameel Service Company Limited, an affiliate. 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 have been allocated to the Company based on mutual understanding.

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

	30 June 2018 SR Unaudited	*31 December 2017 SR Audited*
Bab Rizq Jameel Service Company Limited	**860,035**	802,179
Abdul Latif Jameel United Finance Company (A Saudi Closed Joint Stock Company)	**250,000**	-
Al Mumaizah United Commerce Company Limited (the "Parent Company")	-	216,425
	1,110,035	1,018,604

8 ZAKAT

Charge for the period

The zakat charge for the period ended 30 June 2018 is SR 1,240,500 (for the period from 4 April 2017 to 30 June 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.

9 (LOSS)/EARNINGS PER SHARE

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

	For the three month period ended 30 June 2018 SR Unaudited	***For the six month period ended 30 June 2018 SR Unaudited***	*For the period from 4 April 2017 to 30 June 2017 SR Unaudited (note 2.1)*
Net (loss)/income for the period	**(745,944)**	**(830,168)**	132,694
Weighted average number of ordinary shares (note 1)	**10,000,000**	**10,000,000**	10,000,000
Basic and diluted (loss)/earnings per share (SR per share)	**(0.07)**	**(0.08)**	0.01

10 FINANCIAL RISK MANAGEMENT

Credit risk

Credit quality analysis
The following table sets out information about the credit quality of financial assets measured at amortised cost as at 30 June 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***
30 June 2018	**15,228,288**	**-**	**-**	**15,228,288**

b) Allowance for ECL

	12 month ECL SR	***Life time ECL not credit impaired SR***	***Lifetime ECL credit impaired SR***	***Total SR***
30 June 2018	**83,261**	**-**	**-**	**83,261**

As mentioned in note 2.5, 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.

10 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued*)*

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.

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 - see note 10(e)). 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.

10 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit risk grades (continued)

b) Determining whether credit risk has increased significantly (continued)

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.

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.

10 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit risk grades (continued)

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.

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.

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 six month period ended 30 June 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.

	30 June 2018 ***SR*** ***Unaudited***
Aggregate financing to capital ratio *(Financing and advances divided by total shareholders' equity)*	0.13 times

11 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Company's financial assets consist of cash and cash equivalents, financing and advances, 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.

12 RESULTS OF INTERIM PERIOD

The interim condensed financial statements may not be considered indicative of the expected results for the full year.

13 BOARD OF DIRECTORS' APPROVAL

These interim condensed financial statements were approved by the Board of Directors on 24 July 2018 (corresponding to 11 Dhul-Qi'dah 1439H).