BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2018
together with the
INDEPENDENT AUDITORS' REPORT

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Independent auditors' report

To the shareholders of Bidaya Home Finance Company

Opinion

We have audited the financial statements of Bidaya Home Finance Company ("the Company"), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and the notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for opinion

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

Responsibilities of Management and Those Charged With Governance for the Financial Statements

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

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

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

KPMG Al Fozan & Partners Certified Public Accountants, a registered Company in the Kingdom of Saudi Arabia, and a non-partner member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.

KPMG

Independent auditors' report

To the shareholders of Bidaya Home Finance Company (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA that are 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 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 ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 of Bidaya Home Finance Company ("the Company").

For KPMG Al Fozan & Partners
Certified Public Accountants

Kholoud A. Mousa Altambakti
License No.: 421

26 Jumada'II 1440 H
Corresponding to: 3 March 2019

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018
(Saudi Arabian Riyals in '000)

	Notes	**2018**	2017
ASSETS			
Cash and cash equivalents	*5*	**14,440**	21,653
Investments held at fair value through profit or loss ("FVTPL")	*6*	**53,000**	50,013
Investments held at fair value through other comprehensive income ("FVOCI")		**893**	--
Ijara receivables, net	*7*	**1,356,481**	872,814
Prepaid Zakat	*14*	**5,426**	--
Deposits, prepayments and other receivables	*8*	**20,605**	12,894
Intangible assets, net	*9*	**4,243**	3,060
Property and equipment, net	*10*	**6,887**	6,590
Total assets		**1,461,975**	967,024
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term financing	*11*	**70,000**	100,000
Debt securities	*12*	**350,000**	--
Accrued expenses and other current liabilities	*13*	**204,862**	32,959
Provision for employees' end of service benefits		**1,761**	1,198
Accrued zakat		**--**	14,181
Total liabilities		**626,623**	148,338
Share capital	*15*	**900,000**	900,000
Accumulated losses		**(64,648)**	(81,314)
Total Shareholders' equity		**835,352**	818,686
Total liabilities and shareholders' equity		**1,461,975**	967,024

The attached notes 1 to 27 form an integral part of these financial statements.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018
(Saudi Arabian Riyals in '000)

	Notes	**2018**	2017
REVENUE			
Ijara income		**69,009**	37,681
Fee income		**11,849**	2,909
Servicing income		**166**	--
Total revenue		**81,024**	40,590
OPERATING EXPENSES			
General and administrative expenses	*16*	**47,251**	40,400
Selling and marketing expenses	*17*	**13,334**	17,329
Depreciation	*10*	**1,751**	1,244
Amortization	*9*	**963**	833
Provision for Ijara receivables losses	*7.3*	**1,619**	5,282
Finance charges		**11,088**	68
Total operating expense for the year		**76,006**	65,156
Operating income / (loss) for the year		**5,018**	(24,566)
Special commission income		**--**	447
Realized gain on sale of investments held at FVTPL		**1,129**	6,501
Unrealised gain on held-for-trading investments		**--**	13
Other income		**--**	316
Net profit / (loss) for the year		**6,147**	(17,289)
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified to profit or loss			
Net change in fair value of available-for-sale investment		**--**	3,585
Total comprehensive income / (loss) for the year		**6,147**	(13,704)
Earnings / (loss) per share – basic and diluted (in SR)	*18*	**0.07**	(0.19)

The attached notes 1 to 27 form an integral part of these financial statements.

BIDAYA HOME FINANCE
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2018
(Saudi Arabian Riyals in '000)

	Share capital	Unrealized gain on available-for-sale investment	Accumulated losses	Total
Balance as at 1 January 2018	**900,000**	**--**	**(81,314)**	**818,686**
Impact of adoption of new standards at 1 January 2018 (note 3)	**--**	**--**	**3,693**	**3,693**
Restated balance at 1 January 2018	**900,000**	**--**	**(77,621)**	**822,379**
Net profit for the year	**--**	**--**	**6,147**	**6,147**
Zakat for the year (note 14)	**--**	**--**	**6,826**	**6,826**
Total comprehensive income for the year	**--**	**--**	**12,973**	**12,973**
Balance at 31 December 2018	**900,000**	**--**	**(64,648)**	**835,352**
Balance as at 1 January 2017	900,000	2,916	(62,012)	840,904
Net loss for the year	--	--	(17,289)	(17,289)
Zakat charge for the year (note 14)	--	--	(2,013)	(2,013)
Fair value of available-for-sale investments transferred to profit or loss	--	(6,501)	--	(6,501)
Change in fair value of available-for-sale investments	--	3,585	--	3,585
Total comprehensive loss for the year	--	(2,916)	(19,302)	(22,218)
Balance at 31 December 2017	900,000	--	(81,314)	818,686

The attached notes 1 to 27 form an integral part of these financial statements.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018
(Saudi Arabian Riyals in '000)

	Notes	**2018**	2017
Cash flows from operating activities:			
Net profit / (loss) for the year		**6,147**	(17,289)
Non-cash adjustments to reconcile net profit / (loss) for the year to net cash used in operating activities:			
Depreciation	*10*	**1,751**	1,244
Amortization	*9*	**963**	833
Finance charges		**11,088**	--
Provision for employees' end of service benefits		**563**	544
Impairment charge for credit losses	*7.3*	**1,619**	5,282
Realized gain on sale of investments held at FVTPL		**(1,129)**	(13)
Gain on sale of fixed assets		**--**	(6,501)
		21,002	(15,900)
Increase in operating assets			
Ijara receivables		**(481,593)**	(526,946)
Deposits, prepayments and other receivables		**(7,711)**	(8,476)
Increase in operating liabilities			
Accrued expenses and other current liabilities		**169,379**	12,698
		(298,923)	(538,624)
Finance charges paid		**(8,563)**	---
Zakat paid		**(12,781)**	--
Net cash used in operating activities		**(320,267)**	(538,624)
Cash flows from investing activities			
Purchase of property and equipment		**(2,053)**	(405)
Purchase of intangible assets		**(2,146)**	(1,560)
Purchase of investments held at FVTPL		**(353,637)**	(50,000)
Proceeds from investments held at FVTPL		**350,890**	--
Purchase of available-for-sale investments		**--**	(378,300)
Proceeds from sale of available-for-sale investments		**--**	459,981
Net cash (used in) / generated from investing activities		**(6,946)**	29,716
Cash flows from financing activities			
Proceeds from short-term financing		**220,000**	100,000
Proceeds from issuance of debt securities		**350,000**	--
Repayment of short-term financing		**(250,000)**	--
Net cash generated from financing activities		**320,000**	100,000
Net decrease in cash and cash equivalents		**(7,213)**	(408,908)
Cash and cash equivalents at beginning of the year		**21,653**	430,561
Cash and cash equivalents at the end of the year		**14,440**	21,653
Non-cash supplemental information:			
Net changes in fair value of available-for-sale investment		**--**	(2,916)
Unrealized gain on held-for-trading investments		**--**	13

The attached notes 1 to 27 form an integral part of these financial statements.

1. THE COMPANY AND THE NATURE OF OPERATIONS

Bidaya Home Finance Company (the "Company") is a Saudi closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010432564 issued in Riyadh on 25 Jumada II 1436H (corresponding to 14 April 2015). The Company was granted a full license by Saudi Arabian Monetary Authority ("SAMA") to operate as a mortgage finance company vide license number 41/ش ع /201512 dated 3 Rabi I 1437H (corresponding to 14 December 2015).

The objectives of the Company are to provide home financing to consumers for the purchase of homes (new homes, ready homes and off plan construction homes) and providing finance to home owners against security of their homes.

The registered office of the Company with its postal address is as follows:

Bidaya Home Finance Company
20th Floor of Ibdeh Tower
King Fahad Road
P.O. Box 93898
Riyadh 11683
Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

a) *Statement of compliance*

The financial statements of the Company have been prepared:

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

ii) in compliance with the Regulations for Companies in the Kingdom of Saudi Arabia and By-laws of the Company.

b) *Basis of measurement*

These financial statements have been prepared under the historical cost convention modified to include the measurement at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI).

c) *Functional and presentation currency*

These financial statements are presented in Saudi Arabian Riyals ("SR"), which is the Company's functional currency. Except as indicated, the financial information presented in SR has been rounded-off to the nearest thousand.

2. BASIS OF PREPARATION (CONTINUED)

d) *Order of liquidity*

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 21.

e) *Critical accounting judgements, estimates and assumptions*

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Such judgements, estimates, and assumptions 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 judgements, estimates and assumptions are as follows:

i. *Fair value measurement*

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

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value 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 — Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
-Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized 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 year.

2. BASIS OF PREPARATION (CONTINUED)

e) *Critical accounting judgements, estimates and assumptions (continued)*

i. Fair value measurement (continued)

At each reporting date, management of the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

ii. 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 its business for the foreseeable future. Additionally, 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, these financial statements have been prepared on a going concern basis.

iii. Fee income

Appraisal fees and management fees charged in relation to the origination of Ijara receivables are an integral part of the effective profit rate earned on these receivables. However, the management has established a threshold below which these fees are not deferred, and are recognised when the services are provided. The impact of this approach, net of direct expenses, is considered immaterial.

iv. Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets 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 expected credit losses ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's internal credit grading model, which assigns PDs to the individual grades
- 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 ECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as oil prices
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 9 classification & measurement requirements do not apply to the Company as Ijara receivables continue to be subjected to the classification requirements as per IAS 17–Leases. However, Ijara receivables recognised by the Company are subject to the de-recognition and impairment requirements of IFRS 9.

POLICIES APPLICABLE FROM 1 JANUARY 2018

A. Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

Financial Asset at amortised cost

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

- 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 interest on the principal amount outstanding.

Financial Asset at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

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.

The Company does not have any debt instruments classified as FVOCI. During the year, the Company acquired equity instruments and classified its investment in equity instruments as fair value through OCI.

Financial Assets at FVTPL

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

B. Classification of financial liabilities

The Company classifies its financial liabilities as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium to issue the funds, and other costs that are an integral part of the effective profit rate.

Before 1 January 2018, all the financial liabilities were initially recognized at fair value less transaction costs. Subsequently, financial liabilities were recognized at amortized cost

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

POLICIES APPLICABLE FROM 1 JANUARY 2018 (CONTINUED)

C. Derecognition

i. 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 derecognized) 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 recognized in OCI is recognized in profit or loss.

From 1 January 2018, any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

POLICIES APPLICABLE FROM 1 JANUARY 2018 (CONTINUED)

ii. Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.

D. Modifications of financial assets and financial liabilities

i. 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 derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized 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 profit or loss. 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.

The Company does not have any financial assets modified during the period, and thus this does not apply to the Company.

ii. 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 recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

E. Impairment

The Company recognizes loss allowances for ECL on the Ijara receivables financial instruments that are not measured at FVTPL.

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

POLICIES APPLICABLE FROM 1 JANUARY 2018 (CONTINUED)

E. Impairment (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of an Ijara receivable by the Company on terms that the Company would not consider otherwise;

An Ijara receivable that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, an Ijara receivable that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position

Impairment allowances for ECL of financial assets measured at amortized cost and Ijara receivables are presented in the statement of financial position as a deduction of gross carrying amount of the assets.

Write-off

Ijara receivables 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.

Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms including promissory notes and title ownership until the completion of the repayments. Collateral, unless repossessed, is not recorded in the Company's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum at inception.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

POLICIES APPLICABLE FROM 1 JANUARY 2018 (CONTINUED)

E. Impairment (continued)

Collateral repossessed
The Company's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held-for-sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Company's policy.

Revenue recognition

Ijara income is recognized in profit or loss using the effective profit method. The 'effective profit rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortized cost of the financial instrument.

When calculating the effective profit rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective profit rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective profit rate includes transaction costs and fees and points paid or received that are an integral part of the effective profit rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Fee income and commission fees earned for Ijara receivables are recognised as an adjustment to the effective profit rate on these receivables. When it is unlikely that receivables will continue to be held by the Company, such fees are recognised in the statement of profit or loss in the period in which the receivables no longer continue to exist in the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

POLICIES APPLICABLE BEFORE 1 JANUARY 2018

Impairment of financial assets

A financial asset or group of financial assets is classified as impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset or a group of financial assets and that a loss event(s) has an impact on the future cash flows of the financial asset or a group of financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower;
- default or delinquency by a borrower;
- the restructuring of Ijara receivables by the Company on terms that the Company would not consider otherwise;
- indications that a borrower will enter bankruptcy;
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or a group of financial assets may be impaired at the statement of financial position date. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised for changes in its carrying amounts.

Once a financial asset has been written down to its estimated recoverable amount, Ijara income is thereafter recognised based on the rate of Ijara income that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

When a financial asset is uncollectible, it is written off against the related provision for impairment either directly by a charge to statement of profit or loss or through provision for impairment account. Financial assets are written off only in circumstances where effectively all possible means of recovery have been exhausted, and the amount of the loss has been determined.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or loss in impairment charge for credit losses.

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs. The Company's financial liabilities include short-term borrowings, debt securities and accrued expenses and other current liabilities. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

POLICIES APPLICABLE BEFORE 1 JANUARY 2018 (CONTINUED)

Financial liability (continued)

Subsequent measurement

The measurement of financial liabilities depend on their classification as financial liabilities at fair value through profit or loss or "other financial liabilities".

The Company has not designated any financial liability at fair value through profit or loss.

Other financial liabilities

Other financial liabilities (including short-term borrowing and accrued expenses and other current liabilities) are subsequently measured at amortised cost using the effective profit rate method.

Transaction costs relating to loans and borrowings are amortised over the term of the agreement using the effective profit method.

Derecognition of financial instruments

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognised when the contractual rights to receive the cash flows from the financial asset expires. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognised if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognised only if the Company has not retained control of the financial asset. The Company recognises separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability (or a part of a financial liability) can only be derecognised when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) *Cash and cash equivalents*

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and bank balances.

b) *Ijara receivables*

Ijara receivables represent assets transferred under Finance Islamic lease agreements, and the present value of the lease payments is recognised as a receivable and disclosed under "Ijara receivables". The difference between the gross receivables and the present value of the receivables is recognised as unearned Ijara income. Ijara income is recognised over the term of the Ijara using the net investment method, which reflects a constant rate of return.

c) *Property and equipment*

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. The carrying values of property 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. Expenditure for repair and maintenance are charged to the statement of profit or loss. Improvements that increase the value or materially extend the life of the related assets are capitalized.

The estimated useful lives of the principal classes of assets are as follows:

	Years
Leasehold Improvements	Shorter of 10 years or lease term
Office equipment	5
Furniture and fixtures	6
Computer equipment	5
Vehicles	5

d) *Intangible assets*

Intangible assets are initially recognised at cost less accumulated amortization and impairment losses, if any. Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefits beyond one year are recognised as intangible assets. Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Amortisation is charged to the statement of profit and loss account by applying the straight line basis whereby the carrying amount of an asset is amortised over its estimated useful life to the Company unless such life is indefinite. The estimated useful life of intangible assets (computer software) is 5 years.

The Company accounts for impairment, where indications exist, by reducing the asset's carrying amount to the recoverable amount.

e) *Accounts payable and accruals*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

f) *Provisions*

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Offsetting of financial instruments

Financial assets and liabilities are offset and reported net in the statement of financial position when the entity has a legal currently enforceable right to set off the recognised amounts and when the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

h) Employees end of service benefits

Provision is made for amounts payable under the Saudi Arabian Labour Law applicable to employees' accumulated service at the statement of financial position date. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Expenses

Selling and marketing expenses are those that specifically relate to sales and marketing. All other expenses are classified as general and administration expenses.

j) Operating leases

Operating lease payments are recognised as expenses in the statement of profit or loss on a straight-line method basis over the lease contract year.

k) Foreign currencies

Transactions denominated in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of profit or loss. Gains or losses on foreign currency transactions are included in the statement of profit or loss during the year.

l) Zakat

The Company's Saudi shareholders are subject to Zakat in accordance with the Saudi Zakat Law. Zakat is the liability of the Company and is charged to the retained earnings / accumulated losses instead of the statement of profit or loss and other comprehensive income on a quarterly basis.

m) Statutory reserve

As required by Saudi Arabian Regulations for Companies and the Company's By-laws, 10% of the income for the year (after zakat and after deducting losses brought forward) should be transferred to the statutory reserve. This reserve is not available for distribution. As per the By-laws, the Company may resolve to discontinue such transfers when the reserve equals 30% of the capital. Due to accumulated losses, no such transfer was made during the year.

4. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

Effective 1 January 2018, the Company has adopted IFRS 15 - Revenue from Contracts with Customers and IFRS 9 - Financial Instruments. The impact of the adoption of these standards is explained below:

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and is effective for annual years commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes previously issued revenue guidance, which was found previously across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to 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 adoption of this standard has no material impact on the Company's financial statements.

4. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)

Adoption of IFRS 9 – Financial instruments

The Company has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 - Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarized below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). This classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, while under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the Company classifies financial assets and liabilities under IFRS 9, see respective sections of significant accounting policies.

IFRS 9 classification & measurement requirements do not apply to the Company as Ijara receivables continue to be subjected to the classification requirements as per IAS 17–*Leases*. However, Ijara receivables recognised by the Company are subject to the de-recognition and impairment requirements of IFRS 9.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model ("ECL"). IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. Under IFRS 9, credit losses are recognized earlier than under IAS 39. For an explanation of how the Company applies the impairment requirements of IFRS 9, see respective sections of significant accounting policies.

4. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

Comparative years have not been restated. A difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

i. The determination of the business model within which a financial asset is held.
ii. The designation and revocation of previous designated financial assets and financial liabilities as measured at FVTPL.

It is assumed that the credit risk has not increased significantly for those debt securities which carry low credit risk at the date of initial application of IFRS 9.

a) Financial assets and financial liabilities

i) Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39/ IAS 17	New classification under IFRS 9	Original carrying value under IAS 39	New carrying value under IFRS 9
			SAR in '000'	
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	**21,653**	**21,653**
Held-for-trading investments	Held-for-trading	FVTPL	**50,013**	**50,013**
Ijara receivables, net*	Leases	N/A	**872,814**	**876,507**
Deposits and other receivables	Loans and receivables	Amortized cost	**10,359**	**10,359**
			954,839	**958,532**
Financial liabilities				
Short-term financing	Amortised cost	Amortised cost	**100,000**	**100,000**
Accrued expenses and other current liabilities	Amortised cost	Amortised cost	**19,537**	**19,537**
			119,537	**119,537**

*Ijara receivables continue to be subject to the classification and measurement requirement as per IAS 17 - Leases.

4. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)

a) Financial assets and financial liabilities (continued)

ii) Reconciliation of carrying amounts under IAS 39 to carrying amounts under IFRS 9 at the adoption of IFRS 9

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	IAS 39 carrying amount as at 31 December 2017	Re-measurement	IFRS 9 carrying amount as at 1 January 2018
	SAR in '000'		
Financial assets			
Ijara receivables			
Opening balance	**882,541**	**--**	**882,541**
Impairment allowance for credit losses	**(9,727)**	**3,693**	**(6,034)**
Closing balance	**872,814**	**3,693**	**876,507**

Note 1: Impairment allowance is decreased due to change from incurred to expected credit loss (ECL) model.

There have been no reclassifications and remeasurements of financial assets and financial liabilities of the Company due to adoption of IFRS 9 as at 1 January 2018 other then as set out above.

Impact on retained earnings and other reserves	**Accumulated losses**
Closing balance under IAS 39 (31 December 2017)	**(81,314)**
Recognition of expected credit losses under IFRS 9 on Ijara receivables	**3,693**
Opening balance under IFRS 9 (1 January 2018)	**(77,621)**

iii) The following table sets out the carrying value of financial assets and financial liabilities in the statement of financial position:

	2018		
	FVTPL	Amortized cost	FVOCI
	SAR in '000'		
Financial assets			
Cash and cash equivalents	**--**	**14,440**	**--**
Investments held at FVTPL	**53,000**	**--**	**--**
Investments held at FVOCI	**--**	**--**	**893**
Ijara receivables, net	**--**	**1,356,481**	**--**
Deposits and other receivables	**--**	**12,554**	**--**
Total financial assets	**53,000**	**1,383,475**	**893**

4. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)

a) Financial assets and financial liabilities (continued)

iii) The following table sets out the carrying value of financial assets and financial liabilities in the statement of financial position (continued):

	2018 Amortized cost
Financial liabilities	
Short-term financing	**70,000**
Debt securities	**350,000**
Accrued expenses and other current liabilities	**187,575**
Total financial liabilities	**607,575**

	2017		
	Held-for-Trading	Loans and receivables	Other amortized cost
	SAR in '000'		
Financial assets			
Cash and cash equivalents	--	21,653	--
Held-for-trading investment	50,013	--	--
Ijara receivables, net	--	--	872,814
Deposits and other receivables	--	10,359	--
Total financial assets	50,013	32,012	872,814
Financial liabilities			
Short-term financing	--	--	100,000
Accrued expenses and other current liabilities	--	--	19,537
Total financial liabilities	--	--	119,537

5. CASH AND CASH EQUIVALENTS

	2018	2017
Cash in hand	**10**	10
Cash at bank – current accounts	**14,430**	21,643
	14,440	21,653

6. INVESTMENT HELD AT FVTPL

		Cost	Unrealized gain	Fair value
Riyad Commodity Trading Fund (SR)	**2018**	**53,000**	--	**53,000**
Riyad Commodity Trading Fund (SR)	2017	50,000	13	50,013

7. IJARA RECEIVABLES, NET

	Notes	**2018**	2017
Gross Ijara receivables		**2,545,006**	1,505,007
Less: Unearned income		**(1,180,872)**	(622,466)
	7.1	**1,364,134**	882,541
Less: Impairment allowance for credit losses	*7.3*	**(7,653)**	(9,727)
Ijara receivables, net		**1,356,481**	872,814

7.1 The credit quality of Ijara receivables is as follows:

	2018	2017
Neither past due nor impaired	**1,125,935**	807,809
Past due but not impaired	**170,171**	54,338
Impaired	**68,028**	20,394
	1,364,134	882,541

Ageing of past due but not impaired installments and the related balances of Ijara receivables are as follows:

	2018		2017	
	Ijara receivables	**Past due instalments**	Ijara receivables	Past due instalments
01 – 30 days	**82,739**	**1,089**	29,240	207
31 – 60 days	**69,268**	**1,555**	17,238	338
61 –90 days	**18,165**	**410**	7,860	159
Total	**170,172**	**3,054**	54,338	704

7.2 The average fair values of collateral, based on the appraisal at the time of origination of the financial assets, held by the Company by each category are as follows:

	2018	2017
Current	**1,470,726**	1,037,386
01 – 30 days	**106,387**	36,219
31 – 60 days	**93,636**	21,272
61 – 90 days	**22,794**	9,360
More than 90 days	**83,645**	24,388
	1,777,188	1,128,625

These Ijara receivables are secured against mortgages of financed properties with an aggregate average fair value of SR 1.77 billion on the date of financing. The Valuation techniques used to determine the fair value of collateral included a combination of the cost and market approach and were done by independent external evaluators on the approved panel of the Company.

Title deeds of real estate properties financed by the Company are registered in the name of the appointed trustees under a Trusteeship agreement, as the Company's By-laws were silent with respect to the title holder of those real estate properties. Subsequently, the Company's By-laws were amended and the Company is in the process of transferring the real estate properties in the name of the Company.

7. IJARA RECEIVABLES, NET (continued)

7.3 The movement in the impairment allowance for credit losses for the year ended 31 December 2018 is as follows:

	2018	2017
Balance as at 01 January	**6,034**	4,445
Charge for the year	**1,619**	5,282
Balance as at 31 December	**7,653**	9,727

7.4 The table below stratifies credit exposures from Ijara receivables into ranges of receivables to value ratio. At the time of origination, Ijara receivables to value ratio is calculated by dividing the gross amount of the financing by the fair value of the underlying property. The gross amount of financing used in calculating this ratio excludes unearned income and any impairment allowance.

	2018	2017
Less than 50%	**29,457**	11,605
51 - 70%	**97,343**	55,151
71 - 85%	**792,213**	815,308
More than 85%	**445,121**	477
Total Exposure	**1,364,134**	882,541

7.5 The credit exposure from Ijara receivables is classified as under:

	Not later than one year	**Later than one year but not later than five years**	**Later than five years**	**Total**
31 December 2018				
Ijara receivables	**148,135**	**429,344**	**1,967,527**	**2,545,006**
Unearned income	**(102,277)**	**(281,309)**	**(797,286)**	**(1,180,872)**
	45,858	**148,035**	**1,170,241**	**1,364,134**
Impairment allowance for credit losses				**(7,653)**
				1,356,481
31 December 2017				
Ijara receivables	88,683	265,883	1,150,441	1,505,007
Unearned income	(53,866)	(146,405)	(422,195)	(622,466)
	34,817	119,478	728,246	882,541
Impairment allowance for credit losses				(9,727)
				872,814

The Company's implicit rate of return on leases ranges from 3.55% to 13.04% (31 December 2017: 4.84% and 10.58%). Tenure of Ijara receivable ranges from five to thirty years.

During the year, the Company sold receivables amounting to SR 98.15 million.

8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	**2018**	2017
Deposits		**270**	220
Prepayments		**3,587**	1,035
Prepaid borrowing facility fees	*8.1*	**1,200**	1,500
Advance for investment		**--**	893
Accrued Ijara income		**11,322**	6,599
Deferred Sales Commission		**3,264**	--
Other receivables		**962**	2,647
		20,605	12,894

8.1 This represents the facility fees paid for the acquisition of borrowing, and will be amortised over the term of the facility period. As at 31 December 2018, the facility has not been utilized.

9. INTANGIBLE ASSETS, NET

	2018	**2017**
	Computer Software	
Cost:		
As at 01 January	**4,437**	2,877
Additions during the year	**2,146**	1,560
As at 31 December	**6,583**	4,437
Amortization:		
As at 01 January	**1,377**	544
Charge for the year	**963**	833
As at 31 December	**2,340**	1,377
Net book value as at 31 December	**4,243**	3,060

10. PROPERTY AND EQUIPMENT, NET

For the year ended 31 December 2018

	Leasehold improvement	**Office equipment**	**Furniture and fixtures**	**Computer equipment**	**Vehicles**	**Total**
Cost:						
As at 1 January 2018	**4,141**	**201**	**786**	**3,631**	**395**	**9,154**
Additions	**--**	**27**	**47**	**1,979**	**--**	**2,053**
Disposals	**--**	**--**	**--**	**(6)**	**--**	**(6)**
As at 31 December 2018	**4,141**	**228**	**833**	**5,604**	**395**	**11,201**
Accumulated depreciation:						
As at 1 January 2018	**551**	**50**	**208**	**1,597**	**158**	**2,564**
Charge for the year	**518**	**44**	**135**	**976**	**78**	**1,751**
Disposals	**--**	**--**	**--**	**(1)**	**--**	**(1)**
As at 31 December 2018	**1,069**	**94**	**343**	**2,572**	**236**	**4,314**
Net book value as at 31 December 2018	**3,072**	**134**	**490**	**3,032**	**159**	**6,887**

For the year ended 31 December 2017

	Leasehold improvement	Office equipment	Furniture and fixtures	Computer equipment	Vehicles	Total
Cost:						
As at 1 January 2017	4,141	114	764	3,335	395	8,749
Additions	--	87	22	296	--	405
As at 31 December 2017	4,141	201	786	3,631	395	9,154
Accumulated depreciation:						
As at 1 January 2017	235	15	86	905	79	1,320
Charge for the year	316	35	122	692	79	1,244
As at 31 December 2017	551	50	208	1,597	158	2,564
Net book value as at 31 December 2017	3,590	151	578	2,034	237	6,590

11. SHORT-TERM FINANCING

These include borrowings obtained from financial institutions based in the Kingdom of Saudi Arabia and are secured by the assignment of proceeds from certain Ijara receivables and pledge of title deeds of underlying real estate assets. These borrowings are revolving in nature and carry markup at commercial market rates and are repayable during the year 2019.

12. DEBT SECURITIES

During the year, the Company issued unsecured non-convertible unlisted sukuk amounting to SR 350 million (2017: SR Nil) carrying profit at agreed fixed rates payable semi-annually. Out of SR 350 million, SR 250 million will mature in 2019 and the remaining SR 100 million will mature in 2020.

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Notes	**2018**	2017
Accounts payables		**20,334**	6,225
Down payment against Ijara financing	*13.1*	**10,438**	3,089
Accrued expenses		**6,844**	7,924
Directors' remuneration and meeting expenses		**1,850**	1,988
Deferred management fee		**36**	1,915
Deferred commission income		**17,251**	11,507
Salaries and employee related benefits		**--**	311
Payable to Ministry of Housing (MOH)	*13.2*	**148,109**	--
		204,862	32,959

13.1 This pertains to down payment received by the Company against Ijara financing not executed as at the statement of financial position date.

13.2 This represents balance payable to MOH in relation to purchase of properties which are financed to Ijara receivables customers.

14. ZAKAT

During the year ended 31 December 2018, the Company filed its zakat declarations up until 31 December 2017, and acknowledgment certificates have been obtained. The Company is in the process of submitting its Zakat declaration with GAZT for the year ended 31 December 2018.

Subsequent to the year-end, the Company reached a settlement agreement with the General Authority for Zakat & Income Tax (GAZT), which resulted in an overpayment of Zakat amounting to SAR 6.2 million for previous years. The settlement agreement requires the amount to be adjusted against the Zakat liability arising in future periods. Accordingly, the Company has netted the Zakat liability for the year against the prepaid Zakat.

	2018	2017
Opening balance	**14,181**	12,168
Charge for the year	**823**	2,013
Reversals during the year	**(7,652)**	--
Zakat for the year	**(6,826)**	2,013
Payments during the year	**(12,781)**	--
Closing balance	**(5,426)**	14,181

15. SHARE CAPITAL

As at 31 December 2018, the authorised, issued and fully paid-up share capital of the Company was SR 900 million (31 December 2017: SR 900 million) divided into 90 million shares with a nominal value of SR 10 each, which is owned by the shareholders as follows:

Name of shareholders	Number of shares 000's	Holding percentage (%)	Amount SR'000
Public Investment Fund ("PIF")	20,000	22.2	200,000
Islamic Corporation for Development	18,000	20.0	180,000
Rashed Al Rashed and Sons	15,300	17.0	153,000
Mohammad Yousef Naghi Motors	10,000	11.1	100,000
Arab Investment Company	10,000	11.1	100,000
Al Othaim Holding	10,000	11.1	100,000
Al Khereji Investments	3,200	3.6	32,000
Manfea Holding Company	2,000	2.2	20,000
Jawahir Investment Company	1,500	1.7	15,000
	90,000	**100**	**900,000**

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Salaries and employee related benefits	**26,114**	22,895
Professional fees	**7,084**	4,566
Directors' remuneration and meeting expenses	**1,972**	3,955
IT expenses	**3,880**	2,233
Rent and premises related expenses	**2,683**	2,743
Other expenses	**5,518**	4,008
	47,251	40,400

17. SELLING AND MARKETING EXPENSES

	2018	2017
Advertising and marketing expense	**3,074**	6,137
Salaries and employee related expenses	**5,624**	8,522
Lease property evaluation and insurance	**4,636**	2,670
	13,334	17,329

18. EARNINGS / (LOSS) PER SHARE – BASIC & DILUTED

Earnings / (loss) per share is calculated by dividing net profit / (loss) for the year by the weighted average number of shares (90 million shares) in issue during the year.

19. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include the shareholders and their affiliated entities and certain key management personnel. In the ordinary course of its activities, the Company transacts business with its related parties on mutually agreed terms. Key management personnel includes the Chief Executive Officer ("CEO") and the personnel directly reporting to CEO. The entity with common key management referred to below is chaired by the CEO of the Company.

The significant transactions with related parties during the year and the related balances are as follows:

Name of related party	Nature of relationship	Nature of transaction	2018	2017
Naif Saleh Ali Al Hamdan	Chairman	Ijara financing	**1,680**	--
Saudi Finance Lease Registry Company	Common key Management	Expenses incurred on behalf of the Company	**40**	40
		Investment held at FVOCI	**893**	--
Abdul Aziz Al Omair	Director	Receivable in respect of transactions as custodian	**332**	--

The amounts of compensations recorded in favor of or paid to the Board of Directors and the executive management personnel during the year are as follows:

Name of related parties	Nature of transactions	2018	2017
Key Management Personnel	- Salaries and benefits	**6,471**	6,830
	- Provision for end of service employees' benefits	**227**	255
	- Directors' remuneration and meeting expenses	**1,972**	3,955

Name of related parties	Balance at the end of the year	2018	2017
Key Management Personnel	- Provision for end of service employees' benefits	**712**	520
Saudi Finance Lease Registry Company	- Investment held at FVOCI	**893**	**--**
Abdul Aziz Al Omair	- Receivable in respect of transactions as custodian	**332**	**--**
Naif Al Hamdan	- Chairman	**1,655**	**--**

20. COMMITMENTS

The Company has facilities approved but not utilized, indicative offers issued which are under consideration of the customers and due diligence in progress as of the reporting date which have the potential to convert into financing, amounting to SR 74.22 million (2017: SR 21.53 million).

In addition, the Company has leased the head office building and Riyadh branch for a period of 5 years. Outstanding lease commitments expire as follows:

	2018	2017
Within one year	**1,632**	3,220
Two to three years	**2,594**	2,638
	4,226	5,858

21. RISK MANAGEMENT

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Board Risk Management Committee, which has the responsibility to monitor the overall risk process within the Company.

The Risk Management Committee is responsible for managing risk decisions, monitoring risk levels and reporting on a quarterly basis to the Board of Directors.

Credit risk

The Company manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to Ijara receivables. The lessees may fail to discharge their contractual obligations for a variety of reasons including change in borrower circumstances or a change in value of the underlying collateral. The Company has established procedures to identify and manage credit risk including evaluation of lessees' credit worthiness, formal credit approvals and obtaining collateral. Credit risk is identified and managed at inception of the lease contract as well as on an ongoing basis.

Management monitors the market value of collateral obtained during its review of the adequacy of the impairment allowance for credit losses. The Company regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice

The table below reflects the maximum exposure to credit risk on the financial assets at the reporting date:

	2018	2017
Bank balances	**14,429**	21,643
Investments held at FVTPL	**53,000**	--
Ijara receivables	**1,364,134**	882,541
Deposits and other receivables	**12,554**	9,466
	1,444,117	913,650

21 RISK MANAGEMENT (CONTINUED)

The credit risks on gross amounts due in relation to the Ijara receivables which pertain to the borrower is mitigated at inception of the financing by assessing the borrowers' credit worthiness as well as the ability of the borrower to meet contractual obligations in the future. In addition to this the Company makes use of certain guarantees and insurances available in the market should any borrower in the future fail to meet their contractual obligations. The Company also obtains collateral against Ijara receivables.

In assessing a borrower's ability to meet their contractual obligations a number of factors are considered including the borrowers' monthly income, past credit behavior, monthly outgoings and indebtedness to other parties. The Company also recognizes that individual circumstances may change through the term of the lease and, as far as possible, avails itself of additional credit enhancement where these are available. This includes:

- Takaful cover on death or disability of the borrower which will settle a portion of the outstanding obligation. The Company ensures all borrowers are covered by Takaful.
- Mortgage Guarantee Scheme (MGS) available on qualifying borrowers which will pay 80% of unpaid principal balance following 90 day default by the borrower.
- Subsidised Financing Programme (SFP) available on qualifying borrowers which subsidises a portion of their ongoing monthly commitment and drives continued good credit behavior by the borrower.
- Down Payment Guarantee Scheme (DPG) provides qualifying borrowers with a portion of the down payment required to qualify for financing. This enhances the borrowers' ability to repay contractual obligations in the future, as less of their own resources are absorbed by the down payment.

The portion of Ijara receivables covered by the above credit enhancement tools is as follows:

	2018	2017
Mortgage Guarantee Scheme	**150,332**	--
Subsidised Financing Programme	**262,366**	44,998
Down Payment Guarantee Scheme	**13,733**	--
Covered by one or more of above	**262,366**	44,998

In assessing the value of collateral which will be relied on to settle unpaid obligations following default by the borrower, the Company obtains an independent view of the value of the collateral from a minimum of two suitably qualified, and unconnected, appraisers. The Company also considers the actual price paid by the borrower and utilizes a combination of all three to derive a considered value for each property. The Company then advances financing up to a certain value of the considered value, taking into account its overall assessment of credit risk.

In monitoring ongoing credit risk, the Company follows a credit classification mechanism, as a tool to manage the quality of credit risk of the financed Ijara. The credit classification differentiates between performing and impaired portfolios, and allocates provisions accordingly.

Sector wise break-up of the Ijara receivables is as under:

	2018	2017
Industry sector		
Blue chip	**470,617**	335,281
Government	**411,091**	201,692
Semi-government	**150,757**	66,054
Private	**210,251**	157,730
Self-employed	**121,418**	121,784
	1,364,134	882,541

21 RISK MANAGEMENT (CONTINUED)

Blue Chips: Recognized international companies operating in Kingdom of Saudi Arabia or companies listed on Saudi Stock Exchange. In addition, any company regulated, and in good standing under Saudi Arabian Monetary Authority (SAMA), Capital Market Authority (CMA) and SAGIA (Saudi Arabian General Investment Authority) with the exception of any companies flagged red by these regulators.

Government: Entities wholly owned by the Kingdom of Saudi Arabia.

Semi-Government: Employers which contain government ownership of more than 25% of the shareholdings and not listed on the Saudi Stock Exchange.

Private: Private sector employees are all permanent employees working in a private company meeting certain criteria defined by the Company.

21 RISK MANAGEMENT (CONTINUED)

i. Credit quality analysis

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

	12 month ECL		
Ijara receivables	**Stage 1 Gross carrying amounts**	**12 Month ECL**	**Stage 1 Net carrying amounts**
Unrated	1,199,500	(2,302)	1,197,198
Total	**1,199,500**	**(2,302)**	**1,197,198**

	Lifetime ECL (not credit impaired)		
Ijara receivables	**Stage 2 Gross carrying amounts**	**Lifetime ECL (not credit impaired)**	**Stage 2 Net carrying amounts**
Unrated	96,606	(2,751)	93,855
Total	**96,606**	**(2,751)**	**93,855**

	Lifetime ECL (credit impaired)		
Ijara receivables	**Stage 3 Gross Carrying amounts**	**Lifetime ECL (credit impaired)**	**Stage 3 Net Carrying amounts**
Unrated	68,028	(2,600)	65,428
Total	**68,028**	**(2,600)**	**65,428**

i. 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 including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

21 RISK MANAGEMENT (CONTINUED)

ii. Generating the term structure of PD

The Company employs statistical models to analyze historical performance and default information to generate PD estimates, including how these estimates are expected to change with the passage of time. Statistical models are employed for the Company's ijara receivables exposures, whereby the primary inputs are days past due (DPD). In addition, the Company incorporates forward-looking information into generating forward-looking PDs. Based on external actual and forecasted data, the Company's analysis takes into account the identification and calibration of relationships between default rates and country-specific macroeconomic information.

iii. Determining whether credit risk has increased significantly

The Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, except in case of rebuttal. 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.

The Company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below: -

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL and profit is calculated on the gross carrying amount of asset (i.e. without deduction of credit allowances. All accounts at origination would be classified as Stage 1.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired (i.e. there is no objective evidence of impairment), the Company recognises an allowance for the lifetime ECL.

With respect to portfolio held by Company, all the exposures are moved to stage 2 where the customer is Days Past Due (DPD) 30 days or more (Principal or interest payments) as of 31 December 2018.

Stage 3: for credit-impaired (i.e. there is objective evidence of impairment at reporting date) financial instruments, the Company recognises the lifetime ECL. Default identification process i.e. DPD of 90 days more (obligors already defaulted) is used as stage 3.

21 RISK MANAGEMENT (CONTINUED)

iv. Modified financial assets

The contractual terms of Ijara receivables 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 whose terms have been modified may be derecognized and the renegotiated financing recognized as a new financing 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 reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The revised terms usually include extending the maturity or changing the timing of profit payments.

v. Definition of 'Default'

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

vi. 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 Management Committee and economic 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 base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

21 RISK MANAGEMENT (CONTINUED)

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. The economic scenarios used as at 31 December 2018 included the following key economic data points.

-Unemployment rates
-Net debt
-GDP growth
-Oil prices

vii. Measurement of ECL

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

i. probability of default (PD);
ii. loss given default (LGD);
iii. exposure at default (EAD).

These parameters are generally derived from internally developed statistical models using 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 statistical models (loss rate estimation method), and assessed to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between DPD buckets, 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. Due to the size of the Company's portfolio, there is insufficient historical LGD data to derive statistically reliable LGD estimates. Therefore, the Company benchmarks LGD to regulator guidelines (i.e. 50% for its unsecured exposures). The Company applied hair cut of 25% for Real Estate Collateral.

Going forward, subject to availability of adequate recovery data, the Company shall revise the LGD estimation methodology in line with IFRS 9 requirements.

Where the exposure is 100% or more collateralized (i.e. the value of the collateral after haircut is equal to or greater than the exposure), the Company imposes a LGD floor (recovery cap) of 2% for Real Estate. Floor is determined based on management judgment.

21 RISK MANAGEMENT (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 amortization. The EAD of a financial asset is its gross carrying amount.

Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, 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 settlement of the financing.

Collateral

The Company in the ordinary course of financing activities holds collateral as security to mitigate credit risk in the Ijara receivables. These collaterals mostly include promissory notes and real estate titles. The collaterals are held mainly against Ijara receievables, and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

Loss allowance

The following table shows reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments.

	31 December 2018			
	12 month ECL	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
	SAR in '000'			
Ijara receivables				
Balance at 1 January	**1,240**	**2,333**	**2,461**	**6,034**
Transfer to 12-month ECL	**70**	**(68)**	**(2)**	**--**
Transfer to lifetime ECL not credit –impaired	**(1,585)**	**1,585**	**--**	**--**
Transfer to lifetime ECL credit impaired	**(958)**	**(649)**	**1,607**	**--**
Net charge for the period	**3,535**	**(450)**	**(1,466)**	**1,619**
Balance as at 31 December	**2,302**	**2,751**	**2,600**	**7,653**

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company monitors and manages the liquidity structure of its assets and liabilities to ensure that cash flows are sufficiently balanced and that sufficient liquid funds are maintained to meet liquidity requirements.

21 RISK MANAGEMENT (CONTINUED)

The tables below summarize the maturity profile of the Company's financial assets and liabilities on discounted cash flows, on the basis of the remaining contractual maturity as of the statement of financial position date to the contractual maturity date.

	Carrying value	Up to three months	More than three months and less than one year	More than one and less than five years	Over five years	No fixed maturity	Total
31 December 2018							
Financial Assets							
Cash and cash equivalents	**14,440**	**--**	**--**	**--**	**--**	**14,440**	**14,440**
Investments at FVTPL	**53,000**	**--**	**--**	**--**	**--**	**53,000**	**53,000**
Investments at FVOCI	**893**	**--**	**--**	**--**	**--**	**893**	**893**
Ijara receivables	**1,364,134**	**14,523**	**31,335**	**96,836**	**1,221,441**	**--**	**1,364,134**
Deposits and other receivables	**12,554**	**11,322**	**--**	**--**	**1,232**	**--**	**12,554**
	1,445,021	**25,845**	**31,335**	**96,836**	**1,222,673**	**68,333**	**1,445,021**
Financial Liabilities							
Short-term financing	**70,000**	**70,000**	**--**	**--**	**--**	**--**	**70,000**
Debt securities	**350,000**	**--**	**250,000**	**100,000**	**--**	**--**	**350,000**
Accrued expenses and other current liabilities	**187,575**	**187,575**	**--**	**--**	**--**	**--**	**187,575**
	607,575	**257,575**	**250,000**	**100,000**	**--**	**--**	**607,575**
Gap	**837,446**	**(231,730)**	**(218,665)**	**(3,164)**	**1,222,673**	**68,333**	**837,446**

21 RISK MANAGEMENT (CONTINUED

	Carrying value	Up to three months	More than three months and less than one year	More than one year and less than five years	Over five years	No fixed maturity	Total
31 December 2017							
Assets							
Cash and cash equivalents	21,653	--	--	--	--	21,653	21,653
Investments held at FVTPL	50,013	--	--	--	--	50,013	50,013
Ijara receivables	882,541	5,452	29,365	119,478	728,246	--	882,541
Deposits and other receivables	10,359	9,246	--	220	--	893	10,359
	964,566	14,698	29,365	119,698	728,246	72,559	964,566
Liabilities							
Short-term borrowing	100,000	100,000	--	--	--	--	100,000
Accrued expenses and other current liabilities	19,537	18,222	--	--	--	1,315	19,537
	119,537	118,222	--	--	--	1,315	119,537
Gap	845,029	(103,524)	29,365	119,698	728,246	71,244	845,029

The following table discloses the maturity of financial liabilities on undiscounted cash flows:

	Carrying value	**Up to three months**	**More than three months and up to one year**	**More than one year and up to five years**	**No fixed maturity**	**Total**
31 December 2018						
Short-term financing	**70,000**	**70,584**	**--**	**--**	**--**	**70,584**
Debt securities	**350,000**	**3,424**	**257,911**	**101,110**	**--**	**362,445**
Accrued expenses & other current liabilities	**187,575**	**187,575**	**--**	**--**	**--**	**187,575**
31 December 2018	**607,575**	**261,583**	**257,911**	**101,110**	**--**	**620,604**

	Carrying value	Up to three months	More than three months and up to one year	More than one year and up to five years	No fixed maturity	Total
31 December 2017						
Short-term-borrowings	100,000	100,876	--	--	--	100,876
Accrued expenses & other current liabilities	19,537	18,222	--	--	1,315	19,537
31 December 2017	119,537	119,098	--	--	1,315	120,413

21 RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates and foreign exchange rates. Market risk can be categorised into profit rate risk, equity price risk and currency risk as follows:

Profit rate risk

Profit rate risk is the uncertainty of future earnings resulting from fluctuations in profit rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to profit rate adjustment within a specified year. The most important source of such rate risk at the date in the statement of financial position are the Company's Ijara receivables and investment activities, where fluctuations in profit rates, if any, are reflected in the results of operations.

The following table depicts the sensitivity to a reasonably possible change in profit rates, with other variables held constant, on the Company's profit or loss. The sensitivity of income is the effect of the assumed changes in profit rates on the Ijara income for one year, based on the floating rate non-trading financial assets.

Currency (SR)	Increase in basis points	Sensitivity of profit or loss	Up to three months	More than three months and up to one year	More than one year and up to five years	Over five years
31 December 2018	**+/- 25**	**3,410**	**18**	**96**	**370**	**2,926**
31 December 2017	+/- 25	2,206	14	73	298	1,821

The Company is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given year.

The table below summarises the Company's exposure to profit rate risks. Included in the table are the Company's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

21 RISK MANAGEMENT (CONTINUED)

	Carrying value	31 December 2018					
		Up to three months	**More than three months and up to one year**	**More than one year and up to five years**	**Over five years**	**No fixed maturity**	**Total**
Assets							
Bank balances	**14,430**	**--**	**--**	**--**	**--**	**14,430**	**14,430**
Investments held at FVTPL	**53,000**	**--**	**--**	**--**	**--**	**53,000**	**53,000**
Investments held at FVOCI	**893**	**--**	**--**	**--**	**--**	**893**	**893**
Ijara receivables	**1,364,134**	**17,906**	**1,346,228**	**--**	**--**	**--**	**1,364,134**
Deposits and other receivables	**12,554**	**--**	**--**	**--**	**--**	**12,554**	**12,554**
	1,445,011	**17,906**	**1,346,228**	**--**	**--**	**80,877**	**1,445,011**
Liabilities							
Short-term financing	**70,000**	**70,000**	**--**	**--**	**--**	**--**	**70,000**
Debt securities	**350,000**	**--**	**250,000**	**100,000**	**--**	**--**	**350,000**
Accrued expenses and other current liabilities	**187,575**	**187,575**	**--**	**--**	**--**	**--**	**187,575**
	607,575	**257,575**	**250,000**	**100,000**	**--**	**--**	**607,575**
Gap	**837,436**	**(239,669)**	**1,096,228**	**(100,000)**	**--**	**80,877**	**837,436**

	Carrying value	31 December 2017					
		Upto three months	More than three months and upto one year	More than one year and upto five years	Over five years	No fixed maturity	Total
Assets							
Cash and bank balances	21,653	--	--	--	--	21,653	21,653
Held-for-trading investment	50,013	--	--	--	--	50,013	50,013
Ijara receivables	882,541	201,982	680,559	--	--	--	882,541
Deposits and other receivables	10,359	9,246	--	220	--	893	10,359
	964,566	211,228	680,559	220	--	72,559	964,566
Liabilities							
Short-term borrowing	100,000	100,000	--	--	--	--	100,000
Accrued expenses and other current liabilities	19,537	18,222	--	--	--	1,315	19,537
	119,537	118,222	--	--	--	1,315	119,537
Gap	845,029	93,006	680,559	220	--	71,244	845,029

21 RISK MANAGEMENT (CONTINUED)

Equity Price Risk

Equity risk refers to the risk of a decrease in fair values of equities in the Company's non-trading investment portfolio as a result of reasonably possible changes in levels of equity indices and the value of individual stocks.

The effect on the Company's equity investments held in mutual funds due to a reasonably possible change in prices, with all other variables held constant, is as follows:

	Mutual funds	
	Change in Equity price %	**Effect**
31 December 2018	**+ /- 5**	**+ /- 2,650**
31 December 2017	+ /- 5	+ /- 2,500

Currency risk

Currency risk is the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company is not exposed to significant currency risk as most of its transactions are in the local currency.

22. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, held to maturity investments, available-for-sale investments and other receivables. Financial liabilities consist of accrued expenses and other liabilities payable.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

22. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

For the purpose of fair value disclosures, the Company has determined 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. The following table shows the carrying amounts and fair values of financial instruments, including their levels in the fair value hierarchy:

	31 December 2018				
Financial assets at fair value	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments at FVTPL	**53,000**	**--**	**53,000**	**--**	**53,000**
Investments at FVOCI	**893**	**--**	**--**	**893**	**893**

	31 December 2017				
Financial assets at fair value	Carrying value	Level 1	Level 2	Level 3	Total
Held for trading investments	50,013	--	50,013	--	50,013

	31 December 2018				
Financial assets not measured at fair value	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and bank balance	**14,440**	**14,440**	**--**	**--**	**14,440**
Ijara receivables, net	**1,356,481**	**--**	**--**	**1,245,873**	**1,245,873**
Deposits and other receivables	**12,554**	**--**	**--**	**12,554**	**12,554**
	1,383,475	**14,440**	**--**	**1,258,427**	**1,272,867**

	31 December 2017				
Financial assets not measured at fair value	Carrying value	Level 1	Level 2	Level 3	Total
Cash and bank balance	21,653	21,653	--	--	21,653
Ijara receivables, net	882,541	--	--	630,455	630,455
Deposits and other receivables	10,359	--	--	10,359	10,359
	914,553	21,653	--	640,814	662,467

	31 December 2018				
Financial liabilities not measured at fair value	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Short-term-fnancing	**70,000**	**--**	**--**	**70,000**	**70,000**
Debt securities	**350,000**	**--**	**--**	**350,000**	**350,000**
Accrued expenses and other current liabilities	**187,575**	**--**	**--**	**187,575**	**187,575**
	607,575	**--**	**--**	**607,575**	**607,575**

22. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	31 December 2017				
	Carrying value	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value					
Short-term borrowing	100,000	--	--	100,000	100,000
Accrued expenses and other current liabilities	19,537	--	--	19,537	19,537
	119,537	--	--	119,537	119,537

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurement in level 3 of the fair value hierarchy.

	Opening	**Purchase**	**Sale**	**Closing**
2018	**--**	**893**	**--**	**893**
2017	--	**--**	--	**--**

Sensitivity Analysis

For the fair value of level 3 investments, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	2018	2017
Investments held at fair value through income statement		
Impact on unrealized gain for the year ended:		
If increased by 1%	**9**	--
If decreased by 1%	**9**	--

FVTPL units of mutual funds have been valued based on the net assets value reported by the Fund Manager.

The fair value of Ijara receivables is based on actual cash flows discounted by the average year end internal rate of return, and is not evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets, hence the fair value of Ijara receivables is classified under level 3.

During the year ended 31 December 2018, there were no transfers into or out of Level 3.

23. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with the advantages afforded by a sound capital position.

24. SEGMENT INFORMATION

The Company's objective is to provide financing for real estate leases in the Kingdom of Saudi Arabia. All assets, liabilities and operations as reflected in the statement of financial position and statement of profit or loss belongs to the real estate financing segment.

25. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has not early adopted the following new IFRS and amendments to IFRS effective for annual years beginning on or after 1 January 2019:

		Effective for annual years beginning on or after
IFRS 16	Leases	1 January 2019

26. TRANSITION TO IFRS 16

The Company plans to adopt IFRS 16 retrospectively to each prior reporting period presented. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

During 2018, the Company has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be as follows:

- Impact on retained earnings: increases at 31 December 2018 by SR 0.54 million.
- Impact on the statement of profit or loss: decrease for 2018 by SR 0.36 million.

Due to adoption of IFRS 16, the Company's operating profit will deteriorate while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements and its accompanying notes were approved for issue by the Board of Directors on 22 Jumada'II 1440 (corresponding to 27 February 2018).