

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2019 and
Independent Auditors' Review Report

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2019

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REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Shareholders of Nayifat Financing Company
(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Nayifat Finance Company (A Saudi Closed Joint Stock Company) (the "Company") as of March 31, 2019 and the related condensed interim statement of comprehensive income, condensed interim statements of changes in shareholders' equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" (IAS 34) as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements does not present fairly, in all material respects, the financial position of the Company as at March 31, 2019, and its financial performance and its cash flows for the three months then ended in accordance with IAS 34 as modified by SAMA for the accounting of zakat and income tax.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Yaseen Abu Alkheer', written over a horizontal line.

Yaseen Abu Alkheer
License Number 375

April 25, 2019

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	Note	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS			
Cash and bank balances	5	84,514	111,231
Short term deposits	5	87,662	86,729
Islamic financing receivables	6	1,498,398	1,455,387
Prepayments and other receivables		68,502	56,503
Intangible assets		7,024	6,405
Property and equipment	3	45,982	38,914
Total assets		1,780,059	1,753,169
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Accounts payable and accruals		22,732	20,148
Islamic bank financings and lease liabilities	7 & 3	667,863	683,391
Zakat payable	8.2	46,089	53,302
Provision for zakat	8.1	47,462	42,130
Provision of employees' end of service benefits		6,859	6,450
Total liabilities		791,005	805,421
SHAREHOLDERS' EQUITY			
Share capital		850,000	850,000
Statutory reserve		18,261	18,261
Retained earnings		120,793	79,487
Total shareholders' equity		989,054	947,748
Total liabilities and shareholders' equity		1,780,059	1,753,169

The accompanying notes (1) through (14) form an integral part of these condensed interim financial statements.


Chief Financial Officer


Managing Director
and
Chief Executive Officer

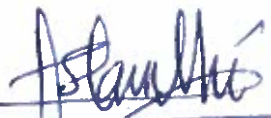

Chairman of
Board of Directors

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31,
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	2019	2018
Revenue	9	84,966	84,021
Expenses			
Finance costs	3	(13,841)	(13,166)
Reversal of impairment	6.4	6,103	2,959
Salaries and employees related expenses	11	(21,518)	(19,478)
Other general and administrative expenses		(7,429)	(6,229)
Depreciation and amortization		(2,239)	(1,057)
Other income		596	-
Total expenses		(38,328)	(36,971)
Net Income		46,638	47,050
Other comprehensive income		-	-
Total comprehensive income		46,638	47,050
Basic and diluted earnings per share	10	0.55	0.55

The accompanying notes (1) through (14) form an integral part of these condensed interim financial statements.


 for _____
 Chief Financial Officer



 Managing Director
 and
 Chief Executive Officer




 Chairman of
 Board of Directors

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31,
(All amounts in Saudi Riyals in thousand unless otherwise stated)

	Note	Share capital	Proposed increase in share capital	Statutory reserve	Retained earnings	Total
2019						
Balance as at December 31, 2018 (Audited)		850,000	-	18,261	79,487	947,748
Net income		-	-	-	46,638	46,638
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	46,638	46,638
Zakat charge for the period	8	-	-	-	(5,332)	(5,332)
Balance as at March 31, 2019 (Unaudited)		850,000	-	18,261	120,793	989,054
2018						
Balance as at December 31, 2017 (Audited)		635,000	215,000	1,024	5,163	856,187
Additional share capital		215,000	(215,000)	-	-	-
Net income		-	-	-	47,050	47,050
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	47,050	47,050
Zakat charge for the period		-	-	-	(7,756)	(7,756)
Balance as at March 31, 2018 (Unaudited)		850,000	-	1,024	44,457	895,481

The accompanying notes (1) through (14) form an integral part of these condensed interim financial statements.


Chief Financial Officer


Managing Director
and
Chief Executive Officer



Chairman of
Board of Directors

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

CONDENSED INTERIM STATEMENT OF CASH FLOWS – (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31,
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	2019	2018
Cash flows from operating activities			
Net income for the period		46,638	47,050
Adjustments for non-cash items:			
Depreciation and amortization		2,239	1,057
Provision of employees' end of service benefits - net		409	102
Reversal of impairment		(6,103)	(2,959)
Finance costs		13,841	13,166
		<u>57,024</u>	<u>58,416</u>
Changes in operating assets and liabilities:			
Islamic financing receivables		(34,905)	69,036
Prepayments and other receivables		(4,628)	259
Accounts Payables and accruals		2,584	(4,811)
Zakat paid	8.2	(7,213)	-
Finance cost and charges paid		(12,901)	(14,492)
Net cash (used in) / generated from operating activities		<u>(39)</u>	<u>108,408</u>
Cash flows from investing activities			
Additions to property and equipment		(416)	(990)
Additions to intangible assets		(1,081)	(306)
Short-term deposits and investments		(933)	(279)
Net cash used in investing activities		<u>(2,430)</u>	<u>(1,575)</u>
Cash flows from financing activities			
Proceeds from financings		90,000	-
Repayment of financings		(112,632)	(123,455)
Rentals paid		(1,616)	-
Net cash used in financing activities		<u>(24,248)</u>	<u>(123,455)</u>
Net decrease in cash and cash equivalents		(26,717)	(16,622)
Cash and cash equivalents at the beginning of the period		111,231	275,614
Cash and cash equivalents at the end of the period		<u>84,514</u>	<u>258,993</u>
Supplemental non-cash information:			
Islamic financing receivables write-offs	6.3	8,887	11,971
Recognition of Right-of-use asset upon adoption of IFRS 16	3	9,529	-

The accompanying notes (1) through (14) form an integral part of these condensed interim financial statements.


Chief Financial Officer


Managing Director
and
Chief Executive Officer


Chairman of
Board of Directors

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

(All amounts in Saudi Riyals in thousand unless otherwise stated)

1. GENERAL INFORMATION

Nayifat Finance Company (the "Company") was registered as a Closed Joint Stock Company under Commercial Registration ("CR") Number 1010176451 issued in Riyadh on 9 JumadThani 1431H (corresponding to May 23, 2010). In accordance with the Law of Supervision of Finance Companies, the Saudi Arabian Monetary Authority (SAMA) granted license to the Company to operate as financing company under the name of Nayifat Finance Company.

As per the SAMA license No. 5/AS/201312 renewed as on dated 23 Dhu'l-Hijjah1439 (corresponding to September 3, 2018), expiring on 26 Safar 1445 (corresponding to September 12, 2023) the Company is authorized to provide lease finance, consumer finance, small and medium enterprise finance and credit cards finance in the Kingdom of Saudi Arabia.

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

Nayifat Finance Company
P.O. Box 27389
Riyadh 11417
Kingdom of Saudi Arabia

These condensed interim financial statements have been reviewed, not audited.

2. BASIS OF PREPARATION

- 2.1 The condensed interim financial statements of the Company as at and for the quarter ended March 31, 2019 have been prepared using the International Accounting Standard 34 "Interim Financial Reporting" as modified by SAMA for the accounting of zakat and income tax.
- 2.2 The condensed interim financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2018.
- 2.3 The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual audited financial statements for the year ended December 31, 2018, except for the effect of adoption of IFRS 16 - "Leases" which is effective from January 1, 2019.

The Company has not early adopted any new standards, interpretation or amendments that have been issued but which are not yet effective.

The Company has adopted IFRS 16 'Leases' ("IFRS 16") on their effective date January 1, 2019. The effect of adoption of new accounting policy is disclosed in note 3 of these condensed interim financial statements and the accounting policies affected by the new standard are as follows:

IFRS 16 "Leases"

(a) Company as a lessee: Policy applicable from January 1, 2019

Leases are recognised as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate.

Lease payments include in the measurement of lease liabilities comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

NAYIFAT FINANCE COMPANY
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019**

(All amounts in Saudi Riyals in thousand unless otherwise stated)

Subsequently, the lease liabilities are measured at amortised cost using the effective interest rate method. It is re-measured when there is a change in future lease payments arising from a change in index or rate, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding comprehensive income adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive income if the carrying amount of the right-of-use asset is reduced to zero.

Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability.
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represents an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the statement of comprehensive income over the lease term as part of the depreciation of that asset.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of lease liabilities.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term and low value leases

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

(b) Company as a lessee: Policy applicable before January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

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

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

NAYIFAT FINANCE COMPANY
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019**

(All amounts in Saudi Riyals in thousand unless otherwise stated)

3. ADOPTION OF IFRS 16

The Company leases various properties, equipment and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Company has adopted the new standard IFRS 16 from January 1, 2019, using the modified retrospective approach, and therefore, the comparative information has not restated and continues to be reported under IAS 17 - Leases ("IAS 17") and IFRIC 4 - Determining whether an Arrangement contains a Lease ("IFRIC 4"). Accordingly, the information presented in these financial statements for 2018 is not comparable in relation to and due to adoption of IFRS 16.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases, which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5%.

Right-of use assets were measured at the amount equal to the lease liability. Therefore, there was no impact on the retained earnings.

Right-of-use assets adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at December 31, 2018. Due to adoption of IFRS, Property, plant and equipment increased by SR 10.4 million on January 1, 2019 and prepayments reduced by SR 2.6 million.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4.

3.1 The statement of financial position shows the following amounts relating to leases:

	March 31, 2019 (Unaudited)	January 1, 2019 (Unaudited)	December 31, 2018 Audited
Right-of-use assets			
Buildings	9,529	10,409	-
	9,529	10,409	-
Lease liabilities			
Non-current	4,089	4,984	-
Current	2,160	2,795	-
	6,249	7,780	-

The table below shows the reconciliation of future lease payments discounted using the incremental borrowing rate with the lease liabilities related to right-of-use assets.

	March 31, 2019	January 1, 2019
Future lease payments	6,824	8,440
Discounting impact at incremental borrowing rate	(575)	(660)
	6,249	7,780

Right-of use assets included in the line item "Property and equipment" and lease liabilities included in "Islamic Bank financing and lease liabilities" in the statement of financial position.

Additions to the right-of-use assets during the three months ended March 31, 2019 were SR Nil.

NAYIFAT FINANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

(All amounts in Saudi Riyals in thousand unless otherwise stated)

3.2 The statement of comprehensive income shows the following amounts related to leases:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Depreciation charge of Right-of-use assets	880	-
Interest expense (included in finance cost)	85	-

3.3 The total cash outflow for leases during the three months ended March 31, 2019 was SR 1.6 million.

4. USE OF JUDGEMENTS AND ESTIMATES

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The interim results may not represent a proper indication of the annual results of operations. In preparing these condensed interim financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the statutory financial statements as at and for the period ended December 31, 2018.

5. CASH AND CASH EQUIVALENTS

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash in hand	197	200
Cash at banks	84,317	111,031
	<u>84,514</u>	<u>111,231</u>
Short-term deposits	87,662	86,729
Cash and cash equivalents	<u>172,176</u>	<u>197,960</u>

6. ISLAMIC FINANCING RECEIVABLES

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Gross receivables	2,233,551	2,133,917
Unearned finance income	(706,885)	(644,435)
	<u>1,526,666</u>	<u>1,489,482</u>
Deferred initial direct costs (transaction cost)	14,664	14,163
	<u>1,541,330</u>	<u>1,503,645</u>
Impairment provision	(44,935)	(48,258)
	<u>1,496,395</u>	<u>1,455,387</u>
Current	491,685	442,629
Non-current	1,004,710	1,012,758
	<u>1,496,395</u>	<u>1,455,387</u>

6.1 Stage wise analysis of Islamic financing receivables was as follows:

	March 31, 2019 (Unaudited)			December 31, 2018 (Audited)	
	Performing	Under-performing	Non-performing	Total	Total
Receivables	1,401,330	28,435	96,901	1,526,666	1,489,482
Deferred initial direct costs	13,269	321	1,074	14,664	14,163
	<u>1,414,599</u>	<u>28,756</u>	<u>97,975</u>	<u>1,541,330</u>	<u>1,503,645</u>
Provision for impairment	(7,057)	(379)	(37,499)	(44,935)	(48,258)
Net receivables	<u>1,407,542</u>	<u>28,377</u>	<u>60,476</u>	<u>1,496,395</u>	<u>1,455,387</u>

NAYIFAT FINANCE COMPANY
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019**

(All amounts in Saudi Riyals in thousand unless otherwise stated)

- 6.2 Non-performing Islamic finance receivables include SR 21.85 million (December 31, 2018: SR 33 million) and SR 20.89 million (December 31, 2018: SR 23 million) past due between 12 to 18 months and more than 18 months, respectively. The management believes adequate provision has been recorded against such receivables.
- 6.3 During the period, Islamic financing receivables of SR 8.9 million was written-off.
- 6.4 Reversal of Impairment - net

	For the three months ended March 31	
	2019	2018
Impairment provision charge	5,564	4,611
Recoveries after written-off	(11,667)	(7,570)
Net reversal of impairment	<u>(6,103)</u>	<u>(2,959)</u>

7. ISLAMIC BANK FINANCINGS AND LEASE LIABILITIES

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Islamic bank financings	662,066	684,697
Lease liabilities	6,249	-
	<u>668,315</u>	<u>684,697</u>
Accrued finance cost	2,202	1,704
	<u>670,517</u>	<u>686,401</u>
Unamortized deferred charges – transaction costs	(4,223)	(4,610)
	<u>666,294</u>	<u>681,791</u>
Unrealized loss on fair valuation of derivatives	1,569	1,600
	<u>667,863</u>	<u>683,391</u>

8. ZAKAT

- 8.1 Movement in provision for zakat for the period is as follows:

	March 31,2019 (Unaudited)	December 31,2018 (Audited)
January 1,	42,130	106,950
Charge for the period / year	5,332	17,237
Reversal of prior year charge	-	(21,430)
	<u>5,332</u>	<u>(4,193)</u>
Transfer to zakat payable - for the years 2014 to 2018 (note 8.2)	-	(53,302)
Payments during the period / year	-	(7,325)
Balance at end of period / year	<u>47,462</u>	<u>42,130</u>

- 8.2 Movement in zakat payable for the period is as follows:

	March 31,2019 (Unaudited)	December 31,2018 (Audited)
January 1,	53,302	-
Transfer from provision for zakat	-	53,302
Payments during the period / year	(7,213)	-
Balance at end of period / year	<u>46,089</u>	<u>53,302</u>

- 8.3 Status of assessments

There is no significant changes to the zakat assessment since the audit of the financial statements for the year ended December 31, 2018.

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2019

(All amounts in Saudi Riyals in thousand unless otherwise stated)

9. REVENUE

	For the three months ended March 31	
	2019	2018
Income from Islamic financing	83,660	84,479
Amortization of transaction costs	(2,610)	(2,910)
	<u>81,050</u>	<u>81,569</u>
Fee and commission income	3,916	2,452
	<u>84,966</u>	<u>84,021</u>

10. EARNINGS PER SHARE

	For the three months ended March 31	
	2019	2018
Net income	46,638	47,050
Weighted average number of shares in thousand	<u>85,000</u>	<u>85,000</u>
Basic and diluted EPS- as restated in Saudi Riyals	<u>0.55</u>	<u>0.55</u>

11. SALARIES AND EMPLOYEES RELATED EXPENSES

This includes key management compensation for the three months ended March 31, 2019 amounting to SR 2.35 million (2018: SR 2.22 million) and end of service benefit expense amounting to SR 0.25 million (2018: SR 0.23 million).

12. CONTINGENCY AND COMMITMENTS

There is no significant change in the status of contingency since last year end. Further, there is no significant capital commitment as at balance sheet date.

13. CAPITAL MANAGEMENT

The Company's objective when managing capital are to safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of Islamic Bank financing and the advantages and security afforded by a sound capital position. In relation to the capital structure of the Company, management closely monitors the compliance with regulations and Islamic Bank financing covenants and as at the statement of financial position date the Company was is in compliance with the prescribe requirements. At financial position date, the management analysis of gearing ratio was as follows:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Shareholders' equity	989,054	947,748
Islamic bank financing	667,863	683,391
Total capital structure	<u>1,656,917</u>	<u>1,631,139</u>
Gearing ratio	<u>40.31%</u>	<u>41.89%</u>

14. DATE OF APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying condensed interim financial statements were approved for issue by the Board of Directors on April 22, 2019.