

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022



Ernst & Young Professional Services (Professional LLC)
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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDER OF DEUTSCHE GULF FINANCE (A SAUDI CLOSED JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Deutsche Gulf Finance (A Saudi closed joint stock company) (the "Company") as at 30 June 2022, and the related interim condensed statement of comprehensive income for the three-month and six-month periods then ended, and the interim condensed statement of changes in equity and interim condensed statement of cash flows for the six-month period then ended and notes which form an integral part of these interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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


Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

Other Matter

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 1 March 2022. Further, the interim condensed financial statements of the Company for the six-month period ended 30 June 2021 were also reviewed by another auditor who expressed an unmodified review conclusion on those interim condensed financial statements on 3 August 2021.

for Ernst & Young Professional Services


Hesham A. Alatiqi
Certified Public Accountant
License No. (523)

Riyadh: 4 Muharram 1444H
(2 August 2022)



DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022
(Saudi Arabian Riyals)

		30 June 2022	31 December 2021
	<u>Notes</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
ASSETS			
Cash and cash equivalents	5	31,897,801	14,406,536
Other assets	6	153,795,414	111,559,383
Due from an affiliated company	11	4,482,719	4,156,380
Ijara receivables, net	7	2,313,983,563	2,356,153,392
Servicing rights under agency arrangements		51,054,950	50,391,755
Financial assets held at fair value through other comprehensive income – equity instrument		892,850	892,850
Property and equipment		33,131,592	31,216,533
Intangible assets		2,119,921	1,702,296
Deferred tax asset	9	-	3,850,154
TOTAL ASSETS		<u>2,591,358,810</u>	<u>2,574,329,279</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Financing facilities	8	1,707,728,788	1,739,478,886
Due to an affiliated company	11	559,638	559,638
Provision for zakat and income tax	9	4,619,419	12,948,466
Accounts and other payables		1,624,004	934,524
Dividend payable	17	748,614	395,322
Accrued expenses and other liabilities	10	150,929,270	92,722,538
Employees' end of service benefits		5,303,110	4,743,098
TOTAL LIABILITIES		<u>1,871,512,843</u>	<u>1,851,782,472</u>
EQUITY			
Share capital	12	575,000,000	575,000,000
Statutory reserve		20,943,384	20,943,384
Retained earnings		123,902,583	126,603,423
TOTAL EQUITY		<u>719,845,967</u>	<u>722,546,807</u>
TOTAL LIABILITIES AND EQUITY		<u>2,591,358,810</u>	<u>2,574,329,279</u>

The attached notes 1 to 19 form an integral part of these interim condensed financial statements.

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2022

(Saudi Arabian Riyals)

	Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2022	2021	2022	2021
INCOME					
Income from Ijara receivables		44,669,918	41,099,816	91,858,159	80,698,111
Realised gain on sale, settlement or early termination of Ijara receivable		1,854,892	1,567,542	9,548,584	6,229,402
Servicing fees		1,346,302	1,045,227	7,106,236	21,675,076
Other income		-	29,203	-	83,253
TOTAL INCOME		47,871,112	43,741,788	108,512,979	108,685,842
EXPENSES AND ALLOWANCES					
Financial charges		16,212,411	13,103,316	28,404,716	19,502,233
Employees benefits and compensation	13	8,565,833	9,170,309	19,493,021	19,347,973
Allowance (reversal) for expected credit losses on Ijara receivables		2,032,629	1,700,000	(871,341)	14,957,517
Depreciation		442,872	411,429	873,226	805,418
Amortisation		204,290	109,783	388,375	219,567
Other expenses	14	5,174,016	3,998,782	14,410,417	12,330,942
TOTAL EXPENSES AND ALLOWANCES		32,632,051	28,493,619	62,698,414	67,163,650
NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX		15,239,061	15,248,169	45,814,565	41,522,192
Zakat and income tax	9	(1,134,849)	(1,940,283)	(5,390,405)	(5,442,559)
NET INCOME FOR THE PERIOD		14,104,212	13,307,886	40,424,160	36,079,633
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		14,104,212	13,307,886	40,424,160	36,079,633

The attached notes 1 to 19 form an integral part of these interim condensed financial statements.

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
for the six-month period ended 30 June 2022
(Saudi Arabian Riyals)

	Share capital	Statutory reserve	Retained earnings	Total
Balance as at 1 January 2022	575,000,000	20,943,384	126,603,423	722,546,807
Net income and total comprehensive income for the period	-	-	40,424,160	40,424,160
Dividend declared during the period (note 17)	-	-	(43,125,000)	(43,125,000)
Balance as at 30 June 2022	575,000,000	20,943,384	123,902,583	719,845,967
Balance as at 1 January 2021	575,000,000	14,172,157	94,412,385	683,584,542
Net income and total comprehensive income for the period	-	-	36,079,633	36,079,633
Dividend declared during the period (note 16)	-	-	(28,750,000)	(28,750,000)
Balance as at 30 June 2021	<u>575,000,000</u>	<u>14,172,157</u>	<u>101,742,018</u>	<u>690,914,175</u>

The attached notes 1 to 19 form an integral part of these interim condensed financial statements.

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2022

(Saudi Arabian Riyals)

	Note	For the six-month period ended 30 June	
		<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the period before zakat and income tax		45,814,565	41,522,192
<i>Adjustments:</i>			
Depreciation		873,226	805,418
Amortisation		388,375	219,567
Employees' end of service benefits charge		693,508	714,814
Expected credit losses on Ijara receivables	7	(871,341)	14,957,517
Special commission expense on lease liabilities		28,558	33,302
Modification loss on Ijara receivables, net of unwinding		-	3,985,801
Modification gain on borrowings, net of unwinding		-	(2,610,835)
		46,926,891	59,627,776
<i>Net (increase) / decrease in operating assets</i>			
Ijara receivables		43,041,170	(215,821,346)
Other assets		(42,236,031)	(13,111,750)
Servicing rights under agency agreement		(663,195)	(17,412,533)
Due from an affiliated company		(326,339)	(43,050)
Accounts and other payables		689,479	(494,605)
Accrued expenses and other liabilities		58,388,174	4,042,404
		105,820,150	(183,213,104)
Employees' end of service benefits paid		(133,496)	(593,073)
Zakat and income tax paid	9(b)	(9,869,298)	(8,090,171)
Net cash flows from (used in) operating activities		95,817,356	(191,896,348)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(2,788,285)	(343,549)
Acquisition of Intangible assets		(806,000)	(167,694)
Net cash flows used in investing activities		(3,594,285)	(511,243)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financing facilities		350,461,220	406,750,093
Repayment of financing facilities		(382,211,318)	(176,882,975)
Payment of lease liabilities		(210,000)	(289,788)
Dividend paid	17	(42,771,708)	(34,730,816)
Net cash flows (used in) from financing activities		(74,731,806)	194,846,514
Net increase in cash and cash equivalents		17,491,265	2,438,923
Cash and cash equivalents at beginning of the period		14,406,536	9,404,961
Cash and cash equivalents at end of the period	5	31,897,801	11,843,884

The attached notes 1 to 19 form an integral part of these interim condensed financial statements.

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three month and six-month periods ended 30 June 2022

(Saudi Arabian Riyals)

1. CORPORATE INFORMATION

Deutsche Gulf Finance (“the Company”) is a Saudi closed joint stock company established pursuant to a ministerial resolution numbered 3/Q dated 6 Muharram 1431H (corresponding to 23 December 2009) and registered in the Kingdom of Saudi Arabia under commercial registration number 1010280521 dated 9 Safar 1431H (corresponding to 25 January 2010). The Company has a branch in Jeddah registered under commercial registration number 4030245681 dated 19 Jumada Thani 1434H (corresponding to 29 April 2013) and a branch in Al Khobar registered under commercial registration number 2051052773 dated 19 Jumada Thani 1434H (corresponding to 29 April 2013). The registered office of the Company is located at Al Imam Saud Ibn Faysal Road – Al Sahafah District, P.O. Box 75370, Riyadh 13321, Kingdom of Saudi Arabia.

The Company is engaged in real estate financing that includes acquisition, purchase of lands and buildings for the purposes of financing facilities (except in the cities of Makkah and Madina) in accordance with license number 2030114773 dated 2 Dhul-Qadah 1430H (corresponding to 21 October 2009) as obtained from the Saudi Arabian General Investment Authority.

The Saudi Central Bank (“SAMA”) issued the Implementing Regulations of The Law on Supervision of Finance Companies which was published on 24 February 2013 following the Financial Lease Law and the Law on Supervision of Finance Companies (“the Laws”) published on 27 August 2012. The Company was issued a license (number 17/A SH/201405) from SAMA on 20 May 2014 (corresponding to 21 Rajab 1435H).

During the period, one of the existing shareholders of the Company purchased all of the shares of the foreign shareholder that resulted change in type of company from mixed joint stock company to Saudi joint stock company.

2. BASIS OF PREPARATION

Statement of compliance

The interim condensed financial statements of the Company as at and for the period ended 30 June 2022 have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (“SOCPA”).

The interim financial statements do not include all the information and disclosures required in full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2021. In addition, results for the three-month and six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

Basis of measurement

These interim condensed financial statements are prepared under the historical cost convention except for the investment, which is measured at fair value through other comprehensive income (“FVOCI”).

Functional and presentational currency

The interim condensed financial statements are presented in Saudi Arabian Riyals, which is the functional and presentational currency of the Company.

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

For the three month and six-month periods ended 30 June 2022

(Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2021, except for the new standards and amendments effective from 1 January 2022.

3.2. New standards and amendments to standards

New standards and amendments adopted by the Company

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Various amendments apply for the first time in 2022, but do not have an impact on the interim condensed financial statements of the Company.

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions extension of the practical expedient (effective for annual periods beginning on or after 1 April 2021).
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning on or after 1 January 2022):
- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial
- Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.
- Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

Standards issued but not yet effective

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

- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities (deferred until accounting periods starting not earlier than 1 January 2024).
- Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8 (annual periods beginning on or after 1 January 2023).
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction (annual periods beginning on or after 1 January 2023).
- IFRS 17, 'Insurance Contracts', as amended in June 2020 (annual periods beginning on or after 1 January 2023).
- A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts (annual periods beginning on or after 1 January 2023).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The significant accounting judgements and estimates used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2021.

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**(CONTINUED)**

For the three month and six-month periods ended 30 June 2022

(Saudi Arabian Riyals)

5. CASH AND CASH EQUIVALENTS

		30 June 2022	31 December 2021
	<i>Note</i>	(Unaudited)	(Audited)
Bank balances – current accounts	5(a)	31,897,801	14,406,536
		<u>31,897,801</u>	<u>14,406,536</u>

5(a) This represents cash with banks who have investment grade credit ratings, as rated by the international rating agencies.

6. OTHER ASSETS

		30 June 2022	31 December 2021
	<i>Note</i>	(Unaudited)	(Audited)
Receivables against sale of assets	6(a)	43,837,099	-
Financing to customers		29,143,114	28,562,486
Advance paid under protest to ZATCA		29,446,658	29,446,658
Ijara Mawsofa fi Athemmah		27,931,083	25,919,690
Service fee receivables		2,953,808	8,202,237
Amount paid to ZATCA for years under assessment		8,797,654	8,797,654
Value added tax recoverable		6,955,263	5,972,845
Prepaid expenses		3,121,952	1,597,420
Accelerated income tax payment		-	1,557,836
Receivables from Real Estate Development Fund		1,225,000	1,225,000
Staff receivables		265,546	248,578
Security deposits		28,979	28,979
Others		89,258	-
		<u>153,795,414</u>	<u>111,559,383</u>

6(a) This pertains to amount receivable from a financial institution against sale of assets during the period.

7. IJARA RECEIVABLES, NET

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
Gross Ijara receivables		3,591,096,775	3,722,052,210
Less: Unearned income		(1,245,354,220)	(1,331,740,717)
		2,345,742,555	2,390,311,493
Less: Allowance for expected credit losses		(31,758,992)	(34,158,101)
Ijara receivables, net		<u>2,313,983,563</u>	<u>2,356,153,392</u>

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)**

For the three month and six-month periods ended 30 June 2022

(Saudi Arabian Riyals)

7. IJARA RECEIVABLES, NET (CONTINUED)

7(a) The maturity of the Ijara receivables held is as follows:

	30 June 2022 (Unaudited)			
	Not later than <u>one year</u>	Later than one year but not later than five <u>years</u>	Later than <u>five years</u>	<u>Total</u>
Gross Ijara receivables	443,320,754	1,256,422,890	1,891,353,131	3,591,096,775
Less: Unearned income	(159,803,146)	(504,439,276)	(581,111,798)	(1,245,354,220)
	<u>283,517,608</u>	<u>751,983,614</u>	<u>1,310,241,333</u>	<u>2,345,742,555</u>
Less: Allowance for expected credit losses				(31,758,992)
Ijara receivables, net				<u>2,313,983,563</u>

	31 December 2021 (Audited)			
	Not later than <u>one year</u>	Later than one year but not later than <u>five years</u>	Later than <u>five years</u>	<u>Total</u>
Gross Ijara receivables	388,328,741	1,416,686,673	1,917,036,796	3,722,052,210
Less: Unearned income	(151,762,215)	(588,232,434)	(591,746,068)	(1,331,740,717)
	<u>236,566,526</u>	<u>828,454,239</u>	<u>1,325,290,728</u>	<u>2,390,311,493</u>
Less: Allowance for expected credit losses				(34,158,101)
Ijara receivables, net				<u>2,356,153,392</u>

7(b) Expected credit loss allowance on Ijara receivables is as follows:

30 June 2022 – (Unaudited)	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Opening balance	3,392,270	18,829,468	11,936,363	34,158,101
Transfer from 12 Month ECL	(9,577,497)	4,663,406	4,914,091	-
Transfer from lifetime ECL (not credit impaired)	493,691	(3,549,462)	3,055,771	-
Transfer from lifetime ECL (credit impaired)	38,343	289,796	(328,139)	-
Net re-measurement of loss allowance	8,727,992	(5,859,621)	(2,025,304)	843,067
Ijara receivables that have been derecognized during the period	(249,132)	(1,230,781)	(926,030)	(2,405,943)
New Ijara receivables originated during the period	237,175	454,360	-	691,535
Write- Offs	-	-	(1,527,768)	(1,527,768)
Closing balance	<u>3,062,842</u>	<u>13,597,166</u>	<u>15,098,984</u>	<u>31,758,992</u>

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)**

For the three month and six-month periods ended 30 June 2022

(Saudi Arabian Riyals)

7. IJARA RECEIVABLES, NET (CONTINUED)

7(b) Expected credit loss allowance on Ijara receivables is as follows:

31 December 2021 – (Audited)	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Opening balance	2,466,007	12,457,120	17,777,268	32,700,395
Transfer from 12 Month ECL	(9,056,725)	7,278,593	1,778,132	-
Transfer from lifetime ECL (not credit impaired)	184,967	(2,788,718)	2,603,751	-
Transfer from lifetime ECL (credit impaired)	18,113	1,581,874	(1,599,987)	-
Net re-measurement of loss allowance	8,957,375	(2,882,633)	18,714,261	24,789,003
Ijara receivables that have been derecognized during the period	(540,582)	(1,052,868)	(1,236,212)	(2,829,662)
New Ijara receivables originated during the period	1,363,115	4,236,100	532,655	6,131,870
Write-offs	-	-	(26,633,505)	(26,633,505)
Closing balance	<u>3,392,270</u>	<u>18,829,468</u>	<u>11,936,363</u>	<u>34,158,101</u>

8. FINANCING FACILITIES

These represent financing facilities from local lenders at commercial rates, which are secured by assignment of proceeds from financial assets.

9. ZAKAT AND INCOME TAX**9(a) Deferred tax asset**

	30 June 2022	31 December 2021
<i>Notes</i>	(Unaudited)	(Audited)
Opening balance	3,850,154	3,753,049
(Utilization) / origination of temporary difference	(265,858)	97,105
Reversal due to change in income tax status	(3,584,296)	-
Closing balance	<u>-</u>	<u>3,850,154</u>

The deferred tax arises on end of service benefits, allowance for expected credit losses on Ijara receivables, unused losses and depreciation of property and equipment.

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)**

For the three month and six-month periods ended 30 June 2022

(Saudi Arabian Riyals)

9. ZAKAT AND INCOME TAX (CONTINUED)**9(b) The movement in zakat and income tax is as follow:**

	Notes	30 June 2022 (Unaudited)		
		Zakat	Income tax	Total
Balance at the beginning of the period		6,449,848	6,498,618	12,948,466
Charge for the period		4,205,443	-	4,205,443
Payments made during the period		(6,035,872)	(3,833,426)	(9,869,298)
Reversal due to change in income tax status	1	-	(2,665,192)	(2,665,192)
Balance as at end of the period		<u>4,619,419</u>	<u>-</u>	<u>4,619,419</u>

		31 December 2021 (Audited)		
		Zakat	Income tax	Total
Balance at the beginning of the year		8,171,705	5,101,393	13,273,098
Charge for the year		5,355,967	4,512,898	9,868,865
Reversal of zakat liability during the year		(1,420,151)	-	(1,420,151)
Payments made during the year		(5,657,673)	(3,115,673)	(8,773,346)
Balance as at end of the year		<u>6,449,848</u>	<u>6,498,618</u>	<u>12,948,466</u>

9(c) Status of assessments:

Zakat and income tax declaration for all the years up to 2021 have been filed with the Zakat, Tax and Custom Authorities (“ZATCA”) and acknowledgement certificates have been obtained.

During the period ended 30 June 2022, there has been no change in the status of the Company’s zakat and income tax assessments from the status disclosed in the annual financial statements of the Company for the year ended 31 December 2021.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Accrued and other expenses		24,364,504	30,715,939
SAMA deposit, net	16	29,827,694	10,122,402
Instalments collected from sold Ijara receivables	10(a)	19,360,415	14,749,036
Amount received from customers		3,634,148	10,222,460
Payable to seller		45,527,035	-
Provision for VAT		11,500,000	11,500,000
Payable to Ministry of Housing		11,237,158	11,237,158
Advances from customers – Ijara mawsofa fi athemmah		4,409,574	2,925,364
Lease liabilities	10(b)	1,068,742	1,250,179
		<u>150,929,270</u>	<u>92,722,538</u>

10(a) This represents amount of instalments collected by the Company on behalf of buyers of previously sold financial assets.

10(b) This represents amount of lease liability as per IFRS 16 for the rented offices of the Company.

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(CONTINUED)**

For the three month and six-month periods ended 30 June 2022

(Saudi Arabian Riyals)

11. RELATED PARTIES TRANSACTIONS AND BALANCES

The Company's shareholders, affiliates and key management personnel are considered as related parties of the Company. In the ordinary course of business, the Company enters into transactions with its related parties, which are based on prices and contract terms approved by the Company's management and agreed with the related parties.

Following are the details of significant related party transactions during the period:

<u>Related party</u>	<u>Nature of transaction</u>	<u>For the three-month period ended 30 June</u>		<u>For the six-month period ended 30 June</u>	
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Board of directors	Board fees	612,500	636,750	1,225,000	1,273,750
Key management personnel	Employee benefits and compensation:				
	- <i>Remuneration</i>	1,058,297	1,516,962	2,193,592	3,202,258
	- <i>End of service benefits</i>	43,052	60,757	89,705	50,860

The following related party balances are included in the statement of financial position:

<u>Related party</u>	<u>Nature of balance</u>	<u>Note</u>	<u>30 June 2022</u>	<u>31 December 2021</u>
			<u>(Unaudited)</u>	<u>(Audited)</u>
Board of directors	Board fee payable		1,297,419	2,284,373
Key management personnel	Remuneration payable		1,371,644	2,780,000
	Employees' end of service benefits		708,173	721,617
Gulf Company for Acquisitions (affiliated company) – (GCA)	Due from an affiliated company:			
	- <i>Loan</i>	11(a)	3,953,220	3,953,220
	- <i>Other</i>	11(b)	529,499	203,160
			4,482,719	4,156,380
	Due to an affiliated company:			
	- <i>Service fee payable</i>	11(c)	559,638	559,638

11(a) This represents an interest-free loan to the Affiliated Company which is repayable on demand with no fixed repayment date.

11(b) This represents expenses paid by the Company on behalf of the Affiliated company and cheque received in the name of the Affiliated Company on account of early settlement of Ijara receivables of the Company, as the title deed is in the name of Affiliated Company.

11(c) This represents service fee charged by the Affiliated Company in relation to holding customers title deeds on behalf of the Company.

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12. SHARE CAPITAL

As at 30 June 2022, the authorised, issued and fully paid-up share capital of the Company was divided into 57,500,000 shares (31 December 2020: 57,500,000 shares) of SR 10 each.

13. EMPLOYEES' BENEFITS AND COMPENSATION

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Employees' salaries and benefits	7,329,322	8,271,096	17,356,809	17,584,074
Employees' health insurance	672,184	374,087	1,032,567	746,386
Others	564,327	525,126	1,103,645	1,017,513
	<u>8,565,833</u>	<u>9,170,309</u>	<u>19,493,021</u>	<u>19,347,973</u>

14. OTHER EXPENSES

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Processing and marketing expenses	816,856	1,328,820	3,358,362	4,039,426
Board fees	612,500	636,750	1,225,000	1,273,750
Others	3,744,660	2,033,212	9,827,055	7,017,766
	<u>5,174,016</u>	<u>3,998,782</u>	<u>14,410,417</u>	<u>12,330,942</u>

15. 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 are accessible by the Company.

Financial instruments mainly comprise of Ijara receivables, other receivables. due to / from Affiliated company, account and other payables and financing facilities.

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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15. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The table below presents the financial instruments measured at their fair values as of reporting date based on the fair value hierarchy:

	30 June 2022 (Unaudited)				
	Carrying value	Level 1	Level 2	Level 3	Total
Ijara receivables, net	2,313,983,563	-	-	2,345,292,492	2,345,292,492
Financial asset held at FVOCI - equity instrument	892,850	-	-	892,850	892,850
Total	2,314,876,413	-	-	2,346,185,342	2,346,185,342

	31 December 2021 – (Audited)				
	Carrying value	Level 1	Level 2	Level 3	Total
Ijara receivables, net	2,105,762,358	-	-	2,207,808,927	2,207,808,927
Financial asset held at FVOCI - equity instrument	892,850	-	-	892,850	892,850
Total	2,106,655,208	-	-	2,208,701,777	2,208,701,777

The valuation of Ijara receivables is estimated using contractual cash flows discounted at latest variable yield, which is the contracted profit rate for recent transactions. Input into the discounted cash flow techniques includes profit rate for recent transactions and contractual cash flows.

Management assessed that the carrying amount of other financial instruments largely approximate fair value due to either short-term maturities.

There have been no transfers to and from any levels during the period.

16. SAMA SUPPORT PROGRAMS AND INITIATIVES

Private Sector Financing Support Program (“PSFSP”):

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises (“MSME”) as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The payment reliefs were considered as short-term liquidity support to address borrowers’ potential cash flow shortages. The accounting impact of the above changes in terms of the credit facilities were assessed and has been treated as per the requirements of IFRS 9 as modification in terms of arrangement. The PSFSP program has ended on March 31, 2022.

In order to compensate the related cost that the Company had incurred under the SAMA and other public authorities program, during 2021 and 2022, the Company received multiple profit free deposits from SAMA of varying maturities, which qualified as government grants and were accounted for as such.

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17. DIVIDEND APPROVAL

The shareholders in the General Assembly Meeting held on 17 May 2022 approved the cash dividend of SR 0.75 per share. Dividend amounting to SR 43.13 million has been declared and approved (2021: SR 28.75 million).

18. SUBSEQUENT EVENT

There were no subsequent events after the interim condensed statement of financial position date which require adjustment to/or disclosure in these interim condensed financial statements.

**19. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS BY THE
BOARD OF DIRECTORS OF THE COMPANY**

These interim condensed financial statements of the Company for the period ended 30 June 2022 were approved by the Board of Directors on 28 Dhu Al-Hijjah 1443H (corresponding to 27 July 2022).