

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023



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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Deutsche Gulf Finance (a Saudi closed joint stock company) (the "Company") and its subsidiary (collectively referred to as the "Group") as at 31 March 2023 and the related interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting 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 consolidated 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 condensed consolidated interim condensed consolidated 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 interim condensed financial statements of the Company for the three-month period ended 31 March 2022 were reviewed by another auditor who express and unmodified review conclusion on those interim condensed financial statements on 26 Ramadhan 1443H (corresponding to 27 April 2022).

for Ernst & Young Professional Services

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

Riyadh: 13 Shawwal 1444H
(3 May 2023)



DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

(Saudi Arabian Riyals)

		31 March 2023	31 December 2022
	<u>Notes</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
ASSETS			
Cash and cash equivalents	5	46,803,596	25,632,951
Other assets	6	133,887,309	276,887,682
Ijara receivables, net	7	2,042,920,704	1,938,451,178
Servicing rights under agency arrangements	8	59,129,127	60,583,493
Financial assets held at fair value through other comprehensive income – equity instrument		892,850	892,850
Property and equipment		33,599,216	33,299,305
Intangible assets		5,790,993	2,039,572
TOTAL ASSETS		<u>2,323,023,795</u>	<u>2,337,787,031</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Financing facilities	9	1,485,229,047	1,454,023,125
Provision for zakat and income tax	10	7,435,706	7,528,312
Accounts and other payables		880,077	1,191,342
Dividend payable	18	1,073,799	748,262
Accrued expenses and other liabilities	11	117,975,668	120,571,081
Employees' end of service benefits		5,750,679	5,486,208
TOTAL LIABILITIES		<u>1,618,344,976</u>	<u>1,589,548,330</u>
EQUITY			
Share capital	13	575,000,000	575,000,000
Statutory reserve		28,220,395	28,220,395
Retained earnings		105,411,644	148,971,526
Treasury shares		(3,953,220)	(3,953,220)
TOTAL EQUITY		<u>704,678,819</u>	<u>748,238,701</u>
TOTAL LIABILITIES AND EQUITY		<u>2,323,023,795</u>	<u>2,337,787,031</u>

The attached notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

For the three-month periods ended 31 March 2023

(Saudi Arabian Riyals)

	Notes	For the three-month period ended 31 March	
		2023	2022
INCOME			
Income from Ijara receivables		41,527,167	47,188,241
Realised gain on sale, settlement or early termination of Ijara receivable		3,849,046	7,693,692
Servicing fees		1,944,477	5,759,934
Other income		34,852	--
TOTAL INCOME		47,355,542	60,641,867
EXPENSES AND ALLOWANCES			
Financial charges		25,531,733	12,192,305
Employees benefits and compensation	14	9,344,242	10,927,188
Allowance / (reversal) for expected credit losses on Ijara receivables		20,553	(2,903,970)
Depreciation		384,450	430,354
Amortisation		74,420	184,085
Other expenses		6,094,457	9,236,401
TOTAL EXPENSES AND ALLOWANCES		41,449,855	30,066,363
NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX		5,905,687	30,575,504
Zakat and income tax	10	590,569	4,255,556
NET INCOME FOR THE PERIOD		5,315,118	26,319,948
Other comprehensive income		--	--
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,315,118	26,319,948

The attached notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
For the three-month period ended 31 March 2023
(Saudi Arabian Riyals)

	Share capital	Statutory reserve	Retained earnings	Treasury shares	Total
Balance as at 31 December 2022 (audited)	575,000,000	28,220,395	148,971,526	(3,953,220)	748,238,701
Net income and total comprehensive income for the period	--	--	5,315,118	--	5,315,118
Dividend declared during the period (note 16)	--	--	(48,875,000)	--	(48,875,000)
Balance as at 31 March 2023 (unaudited)	<u>575,000,000</u>	<u>28,220,395</u>	<u>105,411,644</u>	<u>(3,953,220)</u>	<u>704,678,819</u>
Balance as at 31 December 2021 (audited)	575,000,000	20,943,384	126,603,423	--	722,546,807
Net income and total comprehensive income for the period	--	--	26,319,948	--	26,319,948
Balance as at 31 March 2022 (unaudited)	<u>575,000,000</u>	<u>20,943,384</u>	<u>152,923,371</u>	--	<u>748,866,755</u>

The attached notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2023

(Saudi Arabian Riyals)

	Notes	For the three-month period ended 31 March	
		2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the period before zakat and income tax		5,905,687	30,575,504
<i>Adjustments:</i>			
Depreciation		384,450	430,354
Amortisation		74,420	184,085
Employees' end of service benefits charge		277,173	311,647
Expected credit losses on Ijara receivables	7	20,553	(2,903,970)
Special commission expense on lease liabilities		13,160	15,027
		<u>6,675,443</u>	<u>28,612,647</u>
<i>Net (increase) / decrease in operating assets</i>			
Ijara receivables		(104,490,080)	69,845,781
Other assets		143,000,373	(103,127,847)
Servicing rights under agency agreement		1,454,366	(2,612,596)
Due from an affiliated company		--	(189,712)
<i>Net increase / (decrease) in operating liabilities</i>			
Accounts and other payables		(311,264)	929,057
Accrued expenses and other liabilities		(2,318,787)	14,557,569
		<u>44,010,051</u>	<u>8,014,899</u>
Employees' end of service benefits paid		(12,702)	(71,723)
Zakat paid		(683,175)	--
Net cash flows from operating activities		<u>43,314,174</u>	<u>7,943,176</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(684,361)	(1,274,702)
Acquisition of Intangible assets		(3,825,841)	--
Net cash flows used in investing activities		<u>(4,510,202)</u>	<u>(1,274,702)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financing facilities		184,466,487	112,246,022
Repayment of financing facilities		(153,260,565)	(109,303,787)
Payment of lease liabilities		(289,788)	--
Dividend paid	16	(48,549,462)	--
Net cash flows (used in) / from financing activities		<u>(17,633,328)</u>	<u>2,942,235</u>
Net increase in cash and cash equivalents		<u>21,170,644</u>	<u>9,610,709</u>
Cash and cash equivalents at beginning of the period		<u>25,632,952</u>	<u>14,406,536</u>
Cash and cash equivalents at end of the period	5	<u>46,803,596</u>	<u>24,017,245</u>

The attached notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 March 2023

(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 Dhu Al-Hijjah 1431H (corresponding to 15 November 2010). The Company has a branch in Jeddah registered under commercial registration number 4030245681 dated 9 Jumada Thani 1434H (corresponding to 19 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, 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 2022, 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.

During 2022, the Group acquired 100% of shareholding in Gulf Company for Acquisition (“the Subsidiary”) incorporated in Kingdom of Saudi Arabia, from a related party. The subsidiary operates under commercial registration number 1010295256. The primary business is to hold title deeds of the assets on behalf of the Company. The Group comprises of the Company and its wholly owned subsidiary.

2. BASIS OF PREPARATION

The consolidated financial statements comprise the financial statements of Deutsche Gulf Financial Statements and its wholly owned subsidiary – Gulf Company for Acquisition (collectively referred to as a “the Group”).

Statement of compliance

The interim condensed consolidated financial statements of the Group as at and for the period ended 31 March 2023 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 condensed consolidated 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 Group’s annual financial statements for the year ended 31 December 2022. In addition, results for the three-month period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

Basis of measurement

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

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 March 2023

(Saudi Arabian Riyals)

2. BASIS OF PREPARATION (CONTINUED)

Functional and presentational currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. The significant accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2022, except for the new standards and amendments effective from 1 January 2023.

3.2. New standards and amendments to standards

New standards and amendments adopted by the Group

The Group 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 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (effective for 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 (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial
- IFRS 17, 'Insurance contracts', as amended in December 2021 (effective for annual periods beginning on or after 1 January 2023).

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 Group's interim condensed consolidated financial statements are disclosed below. The Group 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).
- Amendment to IFRS 16, Lease Liability in a Sale and Leaseback, adding subsequent measurement requirements for sale and leaseback transactions (annual periods beginning on or after 1 January 2024)
- Amendments to IAS 1, Non-current Liabilities with Covenants (annual periods beginning on or after 1 January 2024).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The significant accounting judgements and estimates used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

DEUTSCHE GULF FINANCE

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

For the three-month period ended 31 March 2023

(Saudi Arabian Riyals)

5. CASH AND CASH EQUIVALENTS

		31 March 2023	31 December 2022
	<i>Note</i>	(Unaudited)	(Audited)
Bank balances – current accounts	5(a)	46,803,596	25,632,951
		46,803,596	25,632,951

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

6. OTHER ASSETS

		31 March 2023	31 December 2022
	<i>Notes</i>	(Unaudited)	(Audited)
Financing to customers	6(a)	42,199,393	40,834,837
Ijara mawsofa fi athemmah	6(b)	30,922,612	30,563,671
Advance paid under protest to ZATCA	6(c)	29,446,658	29,446,658
Amount paid to ZATCA for years under assessment		8,797,654	8,797,654
Service fee receivables		8,151,943	4,989,661
Value added tax recoverable		5,332,748	5,995,345
Accelerated income tax payment		3,558,244	2,599,888
Prepaid expenses		2,947,424	2,834,076
Receivables from Real Estate Development Fund		1,225,000	1,225,000
Receivable against sale of portfolio		--	147,930,820
Others		1,305,633	1,670,072
		133,887,309	276,887,682

6(a) This includes advance paid to customers for which the title deeds have not been transferred yet.

6(b) Ijarah mawsufah fi Athemmah is a lease contract under which the Group leases out a property under construction and the lessee is required to pay rent during the construction period.

6(c) During 2021, ZATCA issued an assessment on VAT returns for the period from January 2018 to December 2019 and claimed an additional VAT amount of SR 29.47 million excluding the penalties. The Group paid the amount during the amnesty period to avoid penalties and recorded the amount as receivable from ZATCA. The Group also filed an appeal clarifying its position on the assessment received from ZATCA. During the second half of 2022, ZATCA partially accepted the Group's appeal and revised its assessment by reducing the claim from SR 29.47 million to 17.09 million. The Group filed an appeal with the General Secretary of Tax Committee ("GSTC") against the revised claim and the appeal is still under review of GSTC.

7. IJARA RECEIVABLES, NET

		31 March 2023	31 December 2022
		(Unaudited)	(Audited)
Gross Ijara receivables		3,176,525,895	3,382,669,939
Less: Unearned income		1,105,014,636	(1,415,211,592)
		2,071,511,259	1,967,458,347
Less: Allowance for expected credit losses		(28,590,555)	(29,007,169)
Ijara receivables, net		2,042,920,704	1,938,451,178

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

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

For the three-month period ended 31 March 2023

(Saudi Arabian Riyals)

7. IJARA RECEIVABLES, NET (CONTINUED)

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

	31 March 2023 (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	448,289,889	1,006,646,504	1,721,589,502	3,176,525,895
Less: Unearned income	154,182,132	416,967,145	533,865,359	1,105,014,636
	<u>294,107,757</u>	<u>589,679,359</u>	<u>1,187,724,143</u>	<u>2,071,511,259</u>
Less: Allowance for expected credit losses				(28,590,555)
Ijara receivables, net				<u>2,042,920,704</u>

	31 December 2022 (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	433,715,411	1,020,307,787	1,526,198,223	2,980,221,421
Less: Unearned income	(141,075,759)	(387,994,610)	(483,692,705)	(1,012,763,074)
	<u>292,639,652</u>	<u>632,313,177</u>	<u>1,042,505,518</u>	<u>1,967,458,347</u>
Less: Allowance for expected credit losses				(29,007,169)
Ijara receivables, net				<u>1,938,451,178</u>

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

	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
31 March 2023 – (Unaudited)				
Opening balance	2,217,939	13,921,365	12,867,865	29,007,169
Transfer from 12 Month ECL	(2,690,021)	2,690,021	-	-
Transfer from lifetime ECL (not credit impaired)	82,171	(681,948)	599,777	-
Transfer from lifetime ECL (credit impaired)	6,308	-	(6,308)	-
Net re-measurement of loss allowance	2,828,832	(1,006,404)	(1,391,809)	430,619
Ijara receivables that have been derecognized during the period	(42,845)	(432,150)	(199,101)	(674,096)
New Ijara receivables originated during the period	264,030	-	-	264,030
Write- Offs	-	-	(437,167)	(437,167)
Closing balance	<u>2,666,414</u>	<u>14,490,884</u>	<u>11,433,257</u>	<u>28,590,555</u>

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

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

For the three-month period ended 31 March 2023

(Saudi Arabian Riyals)

7. IJARA RECEIVABLES, NET (CONTINUED)

31 December 2022 – (Audited)	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	(470,374)	420,922	49,452	-
Transfer from lifetime ECL (not credit impaired)	6,365,745	(8,686,229)	2,320,484	-
Transfer from lifetime ECL (credit impaired)	1,483,175	954,553	(2,437,728)	-
Net re-measurement of loss allowance	(8,121,328)	4,170,142	4,973,741	1,022,555
Ijara receivables that have been derecognized during the period	(1,070,595)	(3,180,555)	(2,326,015)	(6,577,165)
New Ijara receivables originated during the period	639,046	1,413,064	709,385	2,761,495
Write-offs	-	-	(2,357,817)	(2,357,817)
Closing balance	<u>2,217,939</u>	<u>13,921,365</u>	<u>12,867,865</u>	<u>29,007,169</u>

8. SERVICING RIGHTS UNDER AGENCY ARRANGEMENTS

The Group enters into arrangements for servicing Ijara receivables on behalf of third parties. Such Ijara receivables represent instruments initially originated by the Group and subsequently sold to third party. The Group acts in the sole capacity of servicing agent represented by activities such as collection of Ijara receivables rentals on behalf of the principals.

9. FINANCING FACILITIES

These represent financing facilities from local lenders at SIBOR plus margin, which are secured by the assignment of proceeds from financial assets.

10. ZAKAT AND INCOME TAX

10(a) The movement in zakat and income tax is as follow:

	31 March 2023 (Unaudited)		
	<u>Zakat</u>	<u>Income tax</u>	<u>Total</u>
Balance at the beginning of the period	7,972,685	(444,373)	7,528,312
Charge for the period	590,569	--	590,569
Payments made during the period	(683,175)	--	(683,175)
Balance as at end of the period	<u>7,880,079</u>	<u>(444,373)</u>	<u>7,435,706</u>
	31 December 2022 (Audited)		
	<u>Zakat</u>	<u>Income tax</u>	<u>Total</u>
Balance at the beginning of the year	6,449,848	6,498,618	12,948,466
Charge for the year	7,558,711	740,587	8,299,298
Reversal of zakat liability during the year	(6,035,874)	(3,833,425)	(9,869,299)
Payments made during the year	--	(3,850,153)	(3,850,153)
Balance as at end of the year	<u>7,972,685</u>	<u>(444,373)</u>	<u>7,528,312</u>

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

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

For the three-month period ended 31 March 2023

(Saudi Arabian Riyals)

10. ZAKAT AND INCOME TAX (CONTINUED)**10(b) Status of assessments:**

Zakat and income tax declaration for all the years up to 2022 have been filed with the Zakat, Tax and Custom Authorities (“ZATCA”) and acknowledgement certificates have been obtained.

During the period ended 31 March 2023, there has been no change in the status of the Group’s zakat and income tax assessments from the status disclosed in the annual financial statements of the Group for the year ended 31 December 2022.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>Notes</i>	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Instalments collected from sold Ijara receivables	<i>11(a)</i>	35,149,610	32,084,065
Amount received from customers	<i>11(b)</i>	20,795,923	8,083,419
SAMA deposit, net		19,966,731	30,231,131
Accrued and other expenses		11,811,152	20,629,193
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		6,407,344	5,711,524
Lease liabilities	<i>11(c)</i>	1,107,750	1,094,591
		<u>117,975,668</u>	<u>120,571,081</u>

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

11(b) This primarily represents down payment received from customers and payable to customers related to excess amount received for early termination settlements and instalments.

11(c) This represents amount of lease liability as per IFRS 16 for the rented offices of the Group.

DEUTSCHE GULF FINANCE

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

For the three-month period ended 31 March 2023

(Saudi Arabian Riyals)

12. RELATED PARTIES TRANSACTIONS AND BALANCES

The Company's shareholders, affiliates and key management personnel are considered as related parties of the Group. In the ordinary course of business, the Group enters into transactions with its related parties, which are based on prices and contract terms approved by the Group'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 31 March</u>	
		<u>2023</u> <u>(Unaudited)</u>	<u>2022</u> <u>(Unaudited)</u>
Board of directors	Board fees	80,750	612,500
Key management personnel	Employee benefits and compensation:		
	- <i>Remuneration</i>	1,265,859	2,300,272
	- <i>End of service benefits</i>	72,640	46,653

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

<u>Related party</u>	<u>Nature of balance</u>	<u>31 March</u>	<u>31 December</u>
		<u>2023</u> <u>(Unaudited)</u>	<u>2022</u> <u>(Audited)</u>
Board of directors	Board fee payable	92,674	2,340,630
Key management personnel	Remuneration payable	--	1,907,298
	Employees' end of service benefits	986,928	831,225

13. SHARE CAPITAL

As at 31 March 2023, the authorised, issued and fully paid-up share capital of the Company was divided into 57,500,000 shares (31 December 2022: 57,500,000 shares) of SR 10 each.

14. EMPLOYEES' BENEFITS AND COMPENSATION

	<u>For the three-month period ended 31 March</u>	
	<u>2023</u>	<u>2022</u>
Employees' salaries and benefits	8,134,098	10,027,487
Employees' health insurance	549,908	360,383
Others	660,236	539,318
	9,344,242	10,927,188

DEUTSCHE GULF FINANCE

(A Saudi Closed Joint Stock Company)

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

For the three-month period ended 31 March 2023

(Saudi Arabian Riyals)

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 Group.

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 Group 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.

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

	31 March 2023 (Unaudited)				
	Carrying value	Level 1	Level 2	Level 3	Total
Ijara receivables, net	2,042,920,704	--	--	2,065,246,338	2,065,246,338
Financial asset held at FVOCI - equity instrument	892,850	--	--	892,850	892,850
Total	2,043,813,554	--	--	2,066,139,188	2,066,139,188

DEUTSCHE GULF FINANCE

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

For the three-month period ended 31 March 2023

(Saudi Arabian Riyals)

15. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	31 December 2022 – (Audited)				Total
	Carrying value	Level 1	Level 2	Level 3	
Ijara receivables, net	1,938,451,178	--	--	1,956,858,983	1,956,858,983
Financial asset held at FVOCI - equity instrument	892,850	--	--	892,850	892,850
Total	1,939,344,028	--	--	1,957,751,833	1,957,751,833

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. DIVIDEND APPROVAL

The shareholders in the General Assembly Meeting held on 21 March 2023 approved the cash dividend of SR 0.85 per share. Dividend amounting to SR 48.87 million has been declared and approved (31 December 2022: SR 43.12 million).

17. 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 consolidated financial statements.

**18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS BY THE BOARD OF DIRECTORS OF THE GROUP**

These interim condensed consolidated financial statements of the Group for the period ended 31 March 2023 were approved by the Board of Directors on 13 Shawwal 1444 (corresponding to 3 May 2023).