

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Condensed Interim Financial Statements
(Unaudited)
For the three-month and nine-month periods ended
30 September 2020



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Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Bidaya Home Finance Company

Introduction

We have reviewed the accompanying condensed interim financial statements of Bidaya Home Finance Company (the "Company"), which comprises:

- the condensed interim statement of financial position as at 30 September 2020;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2020;
- the condensed interim statement of changes in equity for the nine-month period ended 30 September 2020;
- the condensed interim statement of cash flows for the nine-month period ended 30 September 2020; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34") as endorsed in the Kingdom of Saudi Arabia.

Scope of review

We conducted our review in accordance with the 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 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 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 30 September 2020 condensed interim financial statements of the Company are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Emphasis of Matter

We draw attention to Note 17 to the condensed interim financial statements, which describes that the Company has received penalty notices from the General Authority of Zakat and Tax for late settlement of a portion of the VAT due from the Company. The Company has filed objections, and the ultimate outcome of the matter cannot be presently determined. A provision for the penalty has been recognized based on management's best estimate. Our conclusion is not modified in respect of this matter.

For KPMG Al Fozan & Partners
Certified Public Accountants

Kholoud A. Mousa Altambakti
License No: 421

11 Rabi Al-Awwal 1442H
Corresponding to 28 October 2020



BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(Saudi Arabian Riyals in '000)
As at 30 September 2020

	<i>Notes</i>	30 September 2020 (Unaudited)	31 December 2019 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	4	41,156	377,860
Investments held at fair value through other comprehensive income ("FVOCI")		893	893
Ijara receivables, net	5	2,257,569	1,787,568
Prepaid Zakat		--	2,713
Deposits, prepayments and other receivables	6	156,982	111,116
Right-of-use asset		--	1,305
Intangible assets, net		11,203	12,540
Property and equipment, net		5,603	6,689
Total assets		<u>2,473,406</u>	<u>2,300,684</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Financing facilities – secured	8	698,158	500,000
Sukuk	9	450,000	550,000
Lease liability		--	1,196
Accrued expenses and other current liabilities	7	464,690	400,757
Accrued zakat		226	--
Provision for employees' end of service benefits		2,770	2,527
Total liabilities		<u>1,615,844</u>	<u>1,454,480</u>
Share capital	11	900,000	900,000
Statutory reserves	12	2,221	1,085
Accumulated losses		(44,659)	(54,881)
Total Shareholders' equity		<u>857,562</u>	<u>846,204</u>
Total liabilities and shareholders' equity		<u>2,473,406</u>	<u>2,300,684</u>

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements.

BIDAYA HOME FINANCE COMPANY

(A Saudi Closed Joint Stock Company)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

(Saudi Arabian Riyals in '000)

For the three-month and nine-month periods ended 30 September 2020

	<i>Notes</i>	For the three-month period ended 30 September 2020	For the three- month period ended 30 September 2019	For the nine-month period ended 30 September 2020	For the nine-month period ended 30 September 2019
REVENUE					
Ijara income		34,127	28,549	94,903	74,186
Fee income		1,571	4,076	6,503	11,989
Servicing income		2,226	1,110	6,200	2,636
Total revenue		37,924	33,735	107,606	88,811
OPERATING EXPENSES					
General and administrative expenses	<i>13</i>	(15,992)	(14,813)	(44,716)	(40,628)
Selling and marketing expenses	<i>14</i>	(3,641)	(4,280)	(10,668)	(13,206)
Depreciation		(781)	(909)	(2,735)	(2,683)
Amortization		(870)	(202)	(2,603)	(908)
Finance charges		(11,899)	(6,817)	(32,709)	(16,887)
Total operating expenses for the period		(33,183)	(27,021)	(93,431)	(74,312)
Impairment charge for credit losses		(1,081)	(819)	(3,581)	(4,512)
Operating profit for the period		3,660	5,895	10,594	9,987
Profit on time deposits		4	26	46	282
Gain arising on modification of terms of financing facilities		1,275	--	3,657	--
Net profit for the period before Zakat		4,939	5,921	14,297	10,269
Zakat charge for the period		(1,320)	(450)	(2,939)	(1,320)
Net profit for the period after Zakat		3,619	5,471	11,358	8,949
Other comprehensive income		--	--	--	--
Total comprehensive income for the period		3,619	5,471	11,358	8,949
Earnings per share	<i>16</i>	0.04	0.06	0.13	0.10

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(Saudi Arabian Riyals in '000)
For the nine-month period ended 30 September 2020

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
Balance as at 1 January 2020	900,000	1,085	(54,881)	846,204
Net profit for the period after Zakat	--	--	11,358	11,358
Other comprehensive income	--	--	--	--
Total comprehensive income for the period	--	--	11,358	11,358
Transfer to statutory reserve	--	1,136	(1,136)	--
Balance at 30 September 2020	900,000	2,221	(44,659)	857,562
Balance as at 1 January 2019	900,000	--	(64,648)	835,352
Net profit for the period after Zakat	--	--	8,949	8,949
Other comprehensive income	--	--	--	--
Total comprehensive income for the period	--	--	8,949	8,949
Transfer to statutory reserve	--	895	(895)	--
Balance at 30 September 2019	900,000	895	(56,594)	844,301

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOW (UNAUDITED)
(Saudi Arabian Riyals in '000)
For the nine-month period ended 30 September 2020

	For the nine-month period ended 30 September 2020	For the nine-month period ended 30 September 2019
Cash flows from operating activities:		
Net profit for the period before Zakat	14,297	10,269
<i>Non-cash adjustments to reconcile net profit for the period before Zakat to net cash used in operating activities:</i>		
Depreciation	2,735	2,683
Amortization	2,603	908
Finance charges	32,709	16,887
Provision for employees' end of service benefits	613	578
Impairment charge for credit losses	3,581	4,512
Gain on sale of property and equipment	-	(34)
Profit on time deposits	(46)	(282)
Gain arising on modification of terms of financing facilities	(3,657)	--
	52,835	35,521
<i>Increase in operating assets</i>		
Ijara receivables	(579,014)	(251,934)
Deposits, prepayments and other receivables	(49,649)	(138,933)
<i>Increase in operating liabilities</i>		
Accrued expenses and other current liabilities	63,933	121,100
	(511,895)	(234,246)
Employees' end of service benefits paid	(370)	--
Finance charges paid	(24,265)	(14,007)
Profit on time deposits received	46	282
Net cash used in operating activities	(536,484)	(247,971)
Cash flows from investing activities		
Purchase of property and equipment	(344)	(991)
Purchase of intangible assets	(1,266)	(5,128)
Purchase of investments held at FVTPL	(53,000)	(175,000)
Proceeds from sale of investments held at FVTPL	53,000	228,282
Net cash (used in) / generated from investing activities	(1,610)	47,163
Cash flows from financing activities		
Proceeds from sale of Ijara receivables portfolio	109,214	150,000
Payment of lease liabilities	(824)	(445)
Proceeds from financing facilities – secured	593,000	200,000
Repayment of financing facilities – secured	(400,000)	(120,000)
Repayment of Sukuk	(100,000)	--
Net cash generated from financing activities	201,390	229,555
Net (decrease) / increase in cash and cash equivalents	(336,704)	28,747
Cash and cash equivalents at beginning of the period	377,860	14,440
Cash and cash equivalents at end of the period	41,156	43,187

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the nine-month period ended 30 September 2020

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. 7009175717 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

2.1 *Statement of compliance*

The condensed interim financial statements of the Company as at and for the period ended 30 September 2020 have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2019.

2.2 *Basis of measurement*

These condensed interim financial statements have been prepared under the historical cost convention, modified to include the measurement at fair value of investments held at FVOCI.

2.3 *Functional and presentation currency*

These condensed interim financial statements have been presented in Saudi Arabian Riyals (SAR), as it is the functional currency of the Company. Except as indicated, the financial information presented in SAR has been rounded-off to the nearest thousand.

2.4 *Order of liquidity*

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the nine-month period ended 30 September 2020

4. CASH AND CASH EQUIVALENTS

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Cash in hand	5	5
Cash at bank – current accounts	41,151	37,855
Time deposits	--	340,000
	41,156	377,860

5. IJARA RECEIVABLES, NET

	<i>Notes</i>	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Gross Ijara receivables		4,023,271	3,400,258
Less: Unearned income		(1,756,719)	(1,603,505)
	5.1	2,266,552	1,796,753
Less: Impairment allowance for credit losses	5.2	(8,983)	(9,185)
Ijara receivables, net		2,257,569	1,787,568

5.1 The credit quality of Ijara receivables is as follows

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Neither past due nor impaired	1,989,816	1,569,605
Past due but not impaired	167,167	155,701
Impaired	109,569	71,447
	2,266,552	1,796,753

The fair value of collateral of Ijara receivables held by the Company based on appraisal at the time of origination on the impaired loans amounted to SAR 143.21 million (31 December 2019: SAR 88.42 million) while collateral held for the entire Ijara receivables amounted to SAR 3.18 billion (31 December 2019: SAR 2.51 billion).

As at 30 September 2020, the ageing of past due but not impaired installments and the related balances of Ijara receivables are as follows:

	30 September 2020 (Unaudited)		31 December 2019 (Audited)	
	Ijara receivables	Past due instalments	Ijara receivables	Past due instalments
01 – 30 days	109,374	692	94,857	942
31 – 60 days	45,409	589	47,836	1,414
61 –90 days	12,384	308	13,008	215
Total	167,167	1,589	155,701	2,571

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(Saudi Arabian Riyals in '000)
For the nine-month period ended 30 September 2020

5. IJARA RECEIVABLES, NET (CONTINUED)

5.2 The movement in the impairment allowance for credit losses for the period is as follows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Beginning balance	9,185	7,653
(Reversal) / charge for the period	(202)	2,726
Written off during the period	--	(1,194)
Closing balance	8,983	9,185

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

	30 September 2020 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2019	937	1,125	7,123	9,185
Transfer to 12-month ECL	1,684	(735)	(949)	--
Transfer to lifetime ECL not credit impaired	(43)	449	(406)	--
Transfer to lifetime ECL credit impaired	(78)	(257)	335	--
Net charge for the period	(1,572)	605	765	(202)
Balance as at 30 September 2020	928	1,187	6,868	8,983

	31 December 2019 (Audited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2019	2,302	2,751	2,600	7,653
Transfer to 12-month ECL	110	(77)	(33)	--
Transfer to lifetime ECL not credit impaired	(667)	708	(41)	--
Transfer to lifetime ECL credit impaired	(1,406)	(1,254)	2,660	--
Write off	--	--	(1,194)	(1,194)
Net charge for the period	598	(1,003)	3,131	2,726
Balance as at 31 December 2019	937	1,125	7,123	9,185

5.3 The maturity of Ijara receivables based on contractual maturity is as follows:

	30 September 2020 (Unaudited)			Total
	Not later than one year	Later than one period but not later than five years	Later than five year	
Ijara receivables	204,871	581,040	3,237,360	4,023,271
Unearned income	(119,864)	(356,076)	(1,280,779)	(1,756,719)
	85,007	224,964	1,956,581	2,266,552
Impairment allowance for credit losses				(8,983)
				2,257,569

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(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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For the nine-month period ended 30 September 2020

5. IJARA RECEIVABLES, NET (CONTINUED)

	31 December 2019 (Audited)			Total
	Not later than one year	Later than one period but not later than five years	Later than five years	
Ijara receivables	173,844	480,370	2,746,044	3,400,258
Unearned income	(104,967)	(306,551)	(1,191,987)	(1,603,505)
	<u>68,877</u>	<u>173,819</u>	<u>1,554,057</u>	<u>1,796,753</u>
Impairment allowance for credit losses				(9,185)
				<u>1,787,568</u>

The Company's implicit rate of return on Ijara receivables ranges between 4.23% to 12.54% per annum (31 December 2019: 4.84% to 12.54% per annum). Term of Ijara receivables at origination ranges from five to thirty years.

6. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<i>Notes</i>	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Accrued Ijara income, net	6.1	22,192	18,091
Prepayments		7,936	9,596
Deferred sales commission		8,672	7,509
Security deposit		320	270
VAT rebate receivable from Ministry of Housing	6.3	66,292	58,118
Other receivables	6.2, 17	51,570	17,532
		<u>156,982</u>	<u>111,116</u>

6.1 The balance of accrued Ijara income is as follows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Accrued Ijara income	30,208	22,324
Less: Impairment allowance for credit losses	(8,016)	(4,233)
Closing balance	<u>22,192</u>	<u>18,091</u>

The movement in impairment allowance for credit losses for the period is as follows:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Beginning balance	4,233	--
Charge for the period	3,783	4,233
Closing balance	<u>8,016</u>	<u>4,233</u>

6.2 Other receivables include cash collateral in respect of a letter of guarantee for SAR 29.18 million issued in favor of GAZT. The guarantee is in relation to a portion of the appeal filed by the Company in relation to the penalties imposed by the GAZT (see note 17).

6.3 This represents the receivable from Ministry of Housing (MOH) against the VAT payable by the Company on the portion of Ijarah financing originated subject to VAT relief for first home buyers.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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For the nine-month period ended 30 September 2020

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<i>Notes</i>	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Accounts payable		46,360	26,417
Down payment against Ijara financing	7.1	3,678	12,196
Accrued expenses		18,741	12,681
Directors' remuneration and meeting expenses		1,462	1,909
Deferred commission income		12,035	13,326
Payable to Ministry of Housing (MOH)	7.2	366,836	316,224
VAT payable to General Authority of Zakat and Tax ("GAZT")		9,578	12,004
Provision for penalties relating to VAT	17	6,000	6,000
		464,690	400,757

7.1. This pertains to down payment received by the Company against Ijara financing not executed as at the period end.

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

8. FINANCING FACILITIES – SECURED

This represents financing obtained from banks based in the Kingdom of Saudi Arabia amounting to SAR 298.00 million and Saudi Real Estate Refinance Company ("SRC") amounting to SAR 400.16 million. These financing are secured by the assignment of proceeds from certain Ijara receivables and pledge of title deeds of underlying real estate assets. These financing are revolving in nature and carry markup at commercial market rates of which SAR 548.00 million are repayable in 2020 and SAR 150.16 million in 2021.

In response to the COVID-19, SAMA launched the deferral payment program to support the finance companies and the Company is eligible for the deferral of its financing instalment payments for a period of nine months in accordance with such program as disclosed in note 20.

9. SUKUK

The Company issued unsecured non-convertible unlisted sukuk amounting to SAR 450 million (31 December 2019: SAR 550 million) carrying a profit at agreed fixed rates payable semi-annually. Out of the sukuku issued, SAR 150 million will mature in 2020 and the remaining SAR 300.00 million will mature in 2021. During the period, the Company has repaid sukuk of SAR 100.00 million.

10. ZAKAT

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the condensed interim statement of profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to Zakat. During the nine-month period ended 30 September 2020, the Company has made a Zakat provision of SAR 2.93 million (30 September 2019: SAR 1.32 million).

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the nine-month period ended 30 September 2020

11. SHARE CAPITAL

As at 30 September 2020, the authorised, issued and fully paid-up share capital of the Company was SAR 900 million (31 December 2019: SAR 900 million) divided into 90 million shares (31 December 2019: 90 million) with a nominal value of SAR 10 each, as follows:

<u>Name of shareholders</u>	Number of shares '000	Holding Percentage (%)	Amount SAR'000
Public Investment Fund	20,000	22.2	200,000
Islamic Corporation for the Development of the Private Sector	18,000	20.0	180,000
Rashed and his Partners for Development (RECO)*	15,300	17.0	153,000
Manafea International	10,000	11.1	100,000
The Arab Investment Company	10,000	11.1	100,000
Al Othaim Holding	10,000	11.1	100,000
El Khereji Investments Company	3,200	3.6	32,000
Mohammad Bin AbdulAziz Al Rahji & Sons	2,000	2.2	20,000
Jawahir Investment Company	1,500	1.7	15,000
	90,000	100	900,000

*formerly known as Rashed Abdul Rahman Al Rashed and Sons

12. STATUTORY RESERVES

In accordance with the Company's Articles of Association, the Company sets aside at least 10% of its net profit each period as statutory reserve until such reserve equals to 30% of the share capital.

13. GENERAL AND ADMINISTRATIVE EXPENSES

	For the nine- month period ended 30 September 2020 (Unaudited)	For the nine- month period ended 30 September 2019 (Unaudited)
Salaries and employee related expenses	24,792	24,204
Professional fees	4,450	3,942
Rent and premises related expenses	953	2,918
Directors' remuneration and meeting expenses	1,497	1,090
IT expenses	4,403	1,557
Repairs and maintenance and other expenses	8,621	6,917
	44,716	40,628

14. SELLING AND MARKETING EXPENSES

	For the nine- month period ended 30 September 2020 (Unaudited)	For the nine- month period ended 30 September 2019 (Unaudited)
Advertising and marketing expenses	1,029	2,851
Salaries and employee related expenses	5,011	5,117
Financed property evaluation and Takaful	4,628	5,238
	10,668	13,206

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the nine-month period ended 30 September 2020

15. 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 the CEO. Entity under common management has the Chairman of the Board who is the CEO of the Company.

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

<u>Name of related party</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	Amount of transactions for the nine-month period ended 30 September 2020 (Unaudited)	Amount of transactions for the nine-month period ended 30 September 2019 (Unaudited)
Naif Saleh Ali Al Hamdan	Chairman	Installment payment for Ijara financing	123	119
Saudi Finance Lease Registry Company (SIJIL)	Common Management	Prepayment for contract services	1,789	--
			Balance at 30 September 2020 (Unaudited)	Balance at 31 December 2019 (Audited)
Saudi Finance Lease Registry Company (SIJIL)	Common Management	Investment held at FVOCI	893	893
		Prepayment for contract services	1,732	--
Naif Saleh Ali Al Hamdan	Chairman	Ijara financing	1,589	1,640

The amount of compensation recorded in favor of or paid to the Board of Directors and the executive management personnel during the period are as follows:

<u>Name of related parties</u>	<u>Nature of transactions</u>	Amount of transactions for the nine-month period ended 30 September 2020 (Unaudited)	Amount of transactions for the nine-month period ended 30 September 2019 (Unaudited)
Key Management Personnel	Salaries and benefits	5,471	4,942
	Provision for end of service benefits	254	289
	Directors remuneration and meeting expenses	1,497	1,090

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(A Saudi Closed Joint Stock Company)
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15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

<u>Name of related parties</u>	<u>Nature of transactions</u>	Balance at 30 September 2020 (Unaudited)	Balance at 31 December 2019 (Audited)
Key Management Personnel	Provision for end of service benefits	1,236	783
	Directors' remuneration and meeting expenses	1,462	1,909

16. EARNINGS PER SHARE

Earnings per share for the period is calculated by dividing net income for the period by the weighted average number of shares (90 million shares) in issue during the period.

17. COMMITMENTS AND CONTINGENCIES

Contingencies

During the year ended 31 December 2019, the GAZT has imposed penalties amounting to SAR 23.98 million on the Company for late settlement of a portion of the VAT due from the Company covering the period from January 2018 to August 2019. The VAT in question relates to the first SAR 850,000 of the purchase price of a home by a first time buyer which, under guidance issued by GAZT after the initial introduction of VAT, is required to be paid to GAZT by the Company and then reclaimed from Ministry of Housing.

The Company objected to this treatment on a number of grounds and declined to make such payments until such time as the process around the grossing up, settlement and subsequent reclaiming of such VAT was clarified. The process was clarified in a SAMA circular issued during August 2019. The Company subsequently agreed the amounts due in terms of the SAMA circular with GAZT and settled the resulting liability during December 2019.

The Company has formally appealed against the imposition of these penalties by GAZT. The Company believes that the appeal against the penalty will be successful on the basis that it has not acted unreasonably in this regard, that the VAT in question should not have been levied in the first instance, and that the penalty is retrospective given that the GAZT guidance and subsequent SAMA clarification only became effective after the assessment period.

The Company believes that its appeal against the imposition of these penalties will be successful. However, it recognizes that uncertainty exists regarding the eventual outcome of such appeal and that precedence exists for such matters to be settled by negotiation prior to the conclusion of the appeal process. Taking all potential outcomes and the uncertainty attached to each into consideration, the Company has determined that it would be prudent to provide against a portion of the penalties raised. It has therefore provided for an amount approximating 25% of the penalties claimed by GAZT.

Recognition of the remaining amount is contingent on the Company losing its appeal in this regard, or a change in the Company's assessment of the likelihood of eventual outcome. The first leg of the Company's appeal has been rebutted by GAZT and the appeal has now moved to the premier court. The Company had anticipated this at the time of appeal and this development does not alter the Company's assessment of likely outcome.

On 1st October 2020 the Ministry of Finance abolished VAT on real estate transactions. At the same time it indicated that penalties previously imposed by GAZT and subject to appeal would be waived. It is unclear whether this announcement includes the specific penalties imposed on the Company as no specific guidance has yet been published. The Company has therefore not adjusted its assessment of the provision required.

As required under the appeals procedure specified by the GAZT, the Company has submitted a bank guarantee for the items appealed against amounting to SAR 7.96 million. An additional guarantee was issued by the Company in January 2020 amounting to SAR 21.22 million for the penalties imposed by GAZT in December 2019.

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17. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 SAR 16.18 million (31 December 2019: SAR 78.96 million).

At the end of the period, the Company has commitments of SAR 375.29 million against forward Ijara tranches payable to the developers of the properties (31 December 2019: SAR 391.76 million)

The commitments fall due in tranches as the developers of each of the properties complete pre-agreed phases of the construction. The period over which the properties are constructed, and hence the period over which the committed tranches fall due, is approximately two years.

18. 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 to by the Company.

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, investments held at FVTPL, investments held at FVOCI, Ijara receivables, and deposits and other receivables. Financial liabilities consist of short-term financing, sukuk, and accrued expenses and other current liabilities.

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: 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.

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. Assets at fair values are as follows:

	Carrying value	30 September 2020 (Unaudited)			Total
		Level 1	Level 2	Level 3	
<u>Financial assets measured at fair value</u>					
Investments held at FVOCI	893	--	--	893	893

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18. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	31 December 2019 (Audited)				
	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>					
Investments held at FVOCI	893	--	--	893	893

	30 September 2020 (Unaudited)				
	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial assets not measured at fair value</u>					
Cash and cash equivalents	41,156	41,156	--	--	41,156
Ijara receivables	2,266,552	--	--	2,079,390	2,079,390
Deposits and other receivables	132,210	--	--	132,210	132,210
	<u>2,439,918</u>	<u>41,156</u>	<u>--</u>	<u>2,211,600</u>	<u>2,252,756</u>

	31 December 2019 (Audited)				
	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial assets not measured at fair value</u>					
Cash and bank balance	377,860	377,860	--	--	377,860
Ijara receivables, net	1,796,753	--	--	1,474,775	1,474,775
Deposits and other receivables	94,011	--	--	94,011	94,011
	<u>2,268,624</u>	<u>377,860</u>	<u>--</u>	<u>1,568,786</u>	<u>1,946,646</u>

	30 September 2020 (Unaudited)				
	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial liabilities not measured at fair value</u>					
Financing facilities – secured	698,158	--	--	697,939	697,939
Sukuk	450,000	--	--	459,830	459,830
Finance lease liability	--	--	--	--	--
Accrued expenses and other current liabilities	433,077	--	--	433,077	433,077
	<u>1,581,235</u>	<u>--</u>	<u>--</u>	<u>1,590,846</u>	<u>1,590,846</u>

	31 December 2019 (Audited)				
	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial liabilities not measured at fair value</u>					
Financing facilities - secured	500,000	--	--	500,000	500,000
Sukuk	550,000	--	--	523,504	523,504
Finance lease liability	1,196	--	--	1,196	1,196
Accrued expenses and other current liabilities	369,427	--	--	369,427	369,427
	<u>1,420,623</u>	<u>--</u>	<u>--</u>	<u>1,394,127</u>	<u>1,394,127</u>

The fair value of Ijara receivables is based on actual cash flows discounted by the average period 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 nine-month period ended 30 September 2020, there were no transfers into or out of Level 3.

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19. 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 condensed interim statement of financial position and condensed interim statement of profit or loss and other comprehensive income belongs to the real estate financing segment.

20. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country-wide and regional lockdowns and curfews for specified periods.

Oil prices have also witnessed significant volatility during the first half of 2020, owing not just to demand issues arising from COVID-19 as the world economies went into lockdown, but also supply issues driven by production levels which had predated the pandemic. The oil prices have shown some recovery in late Q2 2020 as oil producing countries cut back production, coupled with increasing of demand as countries emerged from lockdowns.

The Company continues to evaluate the current situation through conducting stress testing scenarios on expected movements of macro-economic factors and their impact on key credit, liquidity, operational, solvency and performance indicators, in addition to other risk management practices to manage the impact that the COVID-19 outbreak has on its operations and financial performance. The steps taken by management also include consideration of the impacts of government and SAMA support relief programmes.

The prevailing economic conditions post lock down, require the Company to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolve around adjusting macroeconomic factors and assumptions used by the Company in the estimation of expected credit losses. During the nine-month period ended 30 September 2020, the Company made certain adjustments to the macroeconomic factors in the estimation of expected credit losses.

The Company's ECL model continues to be sensitive to macroeconomic variables and scenario weightings. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgemental and the Company will continue to reassess its position and the related impact on a regular basis.

It continues to be challenging to reliably ascertain the specific effects the pandemic and the government and SAMA support measures, such as the repayment holidays and other mitigating packages, will have. The Company has therefore concluded that it is too early for any potential credit impairment to be reflected through the application of the staging criteria and has instead put more emphasis on the macroeconomic model underpinning the PD and LGD determinations. The Company has also recognized overlays of SAR 2.81 million. The Company will continue to individually assess significant counterparty exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

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20. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”) AND SAMA PROGRAMS (CONTINUED)

SAMA programs and initiatives launched

In response to COVID-19, SAMA launched the *Private Sector Financing Support Program* (“PSFSP”) in March 2020 to provide the necessary support to the SME sector through empowering and facilitating the financing community. The PSFSP encompasses the ‘*Deferred payments program*’ which is applicable to the Company.

As part of the deferred payments program, the Company is eligible for the deferral of its financing instalment payments to SRC for a period of six months. The payment relief is considered as short-term liquidity support to assist the Company’s cash flow position. The payment relief was provided by SRC by deferring the instalments falling due within the period from 14 March 2020 to 14 September 2020 for a period of six months, without increasing the facility tenor. The accounting impact of these amended terms to the Company’s financing facilities has been treated as per the requirements of IFRS 9 as modifications in the terms of arrangement. This resulted in the Company recognising a modification gain of SAR 2.38 million, and this has been presented separately in the condensed interim statement of profit or loss during 31 March 2020. Further, on 1 September 2020, SAMA has extended the deferred payment program by additional 3 months until 14 December 2020 and accordingly the Company has extended those eligible financings recognizing an additional modification gain amounting to SAR 1.28 million.

21. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved for issue by the Board of Directors’ on 27th October 2020 (corresponding to Rabi Al-Awwal 9, 1442) through resolution by circulation.