

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Condensed Interim Financial Statements
(Unaudited)
For the three-month and six-month periods ended
30 June 2017



KPMG Al Fozan & Partners
Certified Public Accountants
KPMG Tower
Salahudeen Al Ayoubi Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com

Licence No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To: **The Shareholders**
Bidaya Home Finance Company
A Saudi Closed Joint Stock Company
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Bidaya Home Finance Company as at 30 June 2017, the condensed interim statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended, the condensed interim statements of changes in shareholders' equity and cash flows for the six-month period then ended, and 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") and Saudi Arabian Monetary Authority's ("SAMA") guidance on accounting for zakat and tax. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.


Scope of review

We conducted our review in accordance with 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 condensed interim financial statements as at 30 June 2017 are not prepared, in all material respects, in accordance with IAS 34 and SAMA's guidance on accounting for zakat and tax.

For KPMG Al Fozan & Partners
Certified Public Accountants


Khalil Ibrahim Al Sedais
License No. 371



Riyadh on: 3 Dhul-Qa'ada 1438H
Corresponding to: 26 July 2017

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2017
(Saudi Arabian Riyals in '000)

		30 June	31 December
		2017	2016
	<i>Notes</i>	(Unaudited)	(Audited)
<u>ASSETS</u>			
Cash and bank balances	5	46,349	227,014
Available-for-sale investments	6	156,758	78,096
Held to maturity investments	7	--	203,547
Ijara receivables, net	8	644,447	351,150
Deposits, prepayments and other receivables		6,369	4,418
Intangible assets, net		3,490	2,333
Property and equipment, net		6,958	7,429
Total assets		<u>864,371</u>	<u>873,987</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Accrued expenses and other current liabilities	9	22,348	20,261
Accrued Zakat	10	14,123	12,168
Provision for employees' end of service benefits		929	654
Total liabilities		<u>37,400</u>	<u>33,083</u>
Share capital	11	900,000	900,000
Unrealized gain on available-for-sale investments	6	1,758	2,916
Accumulated losses		(74,787)	(62,012)
Shareholders' equity		<u>826,971</u>	<u>840,904</u>
Total liabilities and shareholders' equity		<u>864,371</u>	<u>873,987</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)**
For the three-month and six-month periods ended 30 June 2017
(Saudi Arabian Riyals in '000)

	For the three- month period ended 30 June 2017	for the three- month period ended 30 June 2016 (Restated)	For the six- month period ended 30 June 2017	For the period from 31 March 2015 to 30 June 2016 (Restated)
REVENUE				
Ijara income	8,545	1,095	15,204	1,141
Fee income	338	222	541	222
Total revenue	8,883	1,317	15,745	1,363
OPERATING EXPENSES				
General and administrative expenses	12 10,085	6,786	18,418	26,818
Selling and marketing expenses	13 4,035	2,375	8,197	5,500
Depreciation	332	431	665	1,057
Amortization	222	--	390	--
Provision for Ijara receivables losses	--	918	3,445	1,205
Total operating expenses for the period	14,674	10,510	31,115	34,580
Operating loss for the period	(5,791)	(9,193)	(15,370)	(33,217)
Special commission income	--	4,948	447	14,386
Realized gain on sale of available-for-sale investments	4,103	--	4,103	94
Pre-operating expenses	--	--	--	(23,208)
Net loss for the period	(1,688)	(4,245)	(10,820)	(41,945)
<u>OTHER COMPREHENSIVE INCOME</u>				
<i>Items that are or may be reclassified to profit or loss</i>				
Net changes in fair value of available-for-sale investment	(3,242)	715	(1,158)	1,615
Total comprehensive loss for the period	(4,930)	(3,530)	(11,978)	(40,330)
Loss per share	15 (0.02)	(0.05)	(0.12)	(0.47)

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 FLOWS (UNAUDITED)
For the six-month period ended 30 June 2017
(Saudi Arabian Riyals in '000)

	For the six- month period ended 30 June 2017	For the period from 31 March 2015 to 30 June 2016
Cash flows from operating activities:		
Net loss for the period	(10,820)	(41,945)
<i>Non-cash adjustments to reconcile net loss for the period to net cash used in operating activities:</i>		
Depreciation	665	1057
Amortization	390	--
Provision for employees' end of service benefits	275	379
Provision for Ijara receivable losses	3,445	1,205
Realized gain on sale of available-for-sale investments	(4,103)	(94)
	<u>(10,148)</u>	<u>(39,398)</u>
<i>Decrease in operating assets</i>		
Ijara receivables	(296,742)	(120,302)
Deposits, prepayments and other receivables	(1,951)	(2,171)
<i>Increase in operating liabilities</i>		
Accrued expenses and other current liabilities	2,087	12,448
Net cash used in operating activities	<u>(306,754)</u>	<u>(149,423)</u>
Cash flows from investing activities		
Purchase of property and equipment	(194)	(12,521)
Purchase of intangible assets	(1,547)	--
Purchase of held to maturity investments	--	(13,609,735)
Proceeds from held to maturity investments	--	13,609,735
Purchase of available-for-sale investments	(233,300)	(200,180)
Proceeds from sale of available-for-sale investments	157,583	125,094
Net cash used in investing activities	<u>(77,458)</u>	<u>(87,607)</u>
Cash flows from financing activities		
Proceeds from issuance of share capital	--	900,000
Net cash generated from financing activities	<u>--</u>	<u>900,000</u>
Net (decrease) / increase in cash and cash equivalents	(384,212)	662,970
Cash and cash equivalents at beginning of the period	430,561	--
Cash and cash equivalents at end of the period	16 <u>46,349</u>	<u>662,970</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 CHANGES IN SHAREHOLDERS' EQUITY
(Saudi Arabian Riyals in '000)

For the six-month period ended 30 June 2017

	<u>Share capital</u>	<u>Unrealized gain on available- for-sale investments</u>	<u>Accumulated losses</u>	<u>Total</u>
<u>For six month-period ended 30 June 2017</u>				
Balance as at 1 January 2017 (audited)	900,000	2,916	(62,012)	840,904
Net loss for the period	--	--	(10,820)	(10,820)
Zakat charge for the period (<i>note 10 and 20</i>)	--	--	(1,955)	(1,955)
Other comprehensive income – net	--	(1,158)	--	(1,158)
Total comprehensive loss for the period	--	(1,158)	(12,775)	(13,933)
Balance at 30 June 2017 (unaudited)	900,000	1,758	(74,787)	826,971

For the period from 31 March 2015 to 30 June 2016

Issuance of share capital	900,000	--	--	900,000
Net loss for the period	--	--	(41,945)	(41,945)
Zakat (<i>note 10 and 20</i>)	--	--	(2,050)	(2,050)
Other comprehensive income	--	1,615	--	1,615
Total comprehensive loss for the period	--	1,615	(43,995)	(42,380)
Balance at 30 June 2016 (unaudited)	900,000	1,615	(43,995)	857,620

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
For the six-month period ended 30 June 2017

1. THE COMPANY AND THE NATURE OF OPERATIONS

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

During 2017, SAMA issued a Circular no. 381000074519 dated 11 April 2017 and subsequent amendments through certain clarifications relating to the accounting of zakat and tax. As a result of these amendments, zakat and tax are to be recognized in the statement of changes in equity.

Applying the above framework, the condensed interim financial statements of the Company as at and for the quarter ended 31 March 2017 have been prepared using the International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34") and SAMA's guidance on accounting for zakat and tax.

Until 31 December 2016, the financial statements of the Company were prepared in accordance with the International Financial Reporting Standards ("IFRS"). This change in framework resulted in a change in accounting policy for zakat and the effects of this change are disclosed in note 20 to the condensed interim financial statements.

This is the second financial reporting year of the Company. The first financial reporting period was from the date of Ministerial Resolution announcing the incorporation of the Company i.e. 11 Jumada II 1436H (corresponding to 31 March 2015) and ended on 31 December 2016. Accordingly, the period to date comparatives in these financial statements are presented for the period from 31 March 2015 to 30 June 2016.

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 audited financial statements for the period from 31 March 2015 to 31 December 2016.

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 available-for-sale investments.

2.3 *Functional and presentation currency*

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

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six-month period ended 30 June 2017

2. BASIS OF PREPARATION (CONTINUED)

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 used in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the financial statements for the period from 31 March 2015 to 31 December 2016, except for:

a) Change in accounting policy in relation to accounting for zakat:

Effective 1 January 2017, the Company amended its accounting policy relating to zakat and has started to recognize zakat charge to retained earnings. Previously, zakat was charged to the statement of profit or loss. The Company has accounted for this change in the accounting policy relating to zakat retrospectively and the effects of the above change are disclosed in note 20 to the condensed interim financial statements.

b) Adoption of the following amendments to existing standards, which have has no significant impact on these condensed interim financial statements:

- Amendments to IAS 7 – “Statement of Cash Flows”, under the IASB’s “Disclosure Initiative” applicable from 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash change.
- Amendments to IAS 12 – “Recognition of Deferred Tax Assets for Unrealized Losses” applicable from 1 January 2017.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has not early adopted the following new standards effective for annual periods beginning on or after 1 January 2018 and 1 January 2019:

		Effective for annual periods beginning on or after
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 16	Leases	1 January 2019

5. CASH AND BANK BALANCES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash in hand	10	10
Cash at bank – current accounts	46,339	227,004
	46,349	227,014

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Saudi Arabian Riyals in '000)
For the six-month period ended 30 June 2017

6. AVAILABLE-FOR-SALE INVESTMENTS

	<u>30 June 2017 (unaudited)</u>			<u>Fair value</u>
	<u>Number of units</u>	<u>Cost</u>	<u>Unrealized gain</u>	
<i>Open-ended funds:</i>				
Al Rajhi SAR Commodity Fund (<i>a money market fund</i>)	<u>1,046,837</u>	<u>155,000</u>	<u>1,758</u>	<u>156,758</u>

31 December 2016 (audited)

<i>Close-ended fund:</i>				
ICD Money Market Fund (<i>a money market fund</i>)	<u>2,000,000</u>	<u>75,180</u>	<u>2,916</u>	<u>78,096</u>

7. HELD TO MATURITY INVESTMENTS

Held to maturity investments represent term-deposits placed with banks operating within the Kingdom of Saudi Arabia and have an original maturity period of upto three months:

	<u>30 June 2017 (Unaudited)</u>	<u>31 December 2016 (Audited)</u>
Alinma Bank	--	151,251
Gulf International Bank	--	<u>52,296</u>
	<u>--</u>	<u>203,547</u>

The carrying value of above held to maturity investments include accrued special commission income amounting to SR Nil (31 December 2016: SR 1.547 million). During the period ended 30 June 2017, special commission income on held to maturity investments amounting to SR 0.447 million (six-month period ended 30 June 2016: SR 9,159 million and period from 31 March 2015 to 30 June 2016: SR 14.480 million) has been recognised in the statement of profit or loss.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)

For the six-month period ended 30 June 2017

8. IJARA RECEIVABLES, NET

	30 June 2017	31 December 2016
	<u>(Unaudited)</u>	<u>(Audited)</u>
Gross Ijara receivables	1,092,663	590,645
Less: Unearned income	(440,326)	(235,050)
	652,337	355,595
Less: Provision for Ijara receivables losses	(7,890)	(4,445)
Ijara receivables, net	644,447	351,150

8.1 The credit quality of Ijara receivables is as follows

	30 June 2017	31 December 2016
	<u>(Unaudited)</u>	<u>(Audited)</u>
Neither past due nor impaired	551,815	181,814
Past due but not impaired	69,998	173,781
Impaired	30,524	--
	652,337	355,595

The fair value of collateral of impaired Ijara receivables held by the Company based on the appraisal at the time of origination was SR 38.07 million and a provision of SR 1.12 million has been made against impaired Ijara receivables.

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

	30 June 2017 (unaudited)		31 December 2016 (audited)	
	Ijara receivables	Past due instalments	Ijara receivables	Past due instalments
01 – 30 days	59,420	485	108,645	807
31 – 60 days	9,193	260	50,680	740
61 –90 days	1,385	37	14,456	478
Total	69,998	782	173,781	2,025

8.2 The maturity of Ijara receivables is as follows:

	30 June 2017 (Unaudited)			Total
	Not later than one year	Later than one year but not later than five years	Later than five years	
Ijara receivables	31,217	219,165	842,281	1,092,663
Unearned income	(19,064)	(121,660)	(299,602)	(440,326)
	12,153	97,505	542,679	652,337
Provision for Ijara receivables losses				(7,890)
				644,447

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)

For the six-month period ended 30 June 2017

8. IJARA RECEIVABLES, NET (CONTINUED)

	31 December 2016 (Audited)			Total
	Not later than one year	Later than one year but not later than five years	Later than five years	
Ijara receivables	35,079	103,308	452,258	590,645
Unearned income	<u>(20,506)</u>	<u>(56,253)</u>	<u>(158,291)</u>	<u>(235,050)</u>
	14,573	47,055	293,967	355,595
Provision for Ijara receivables losses				<u>(4,445)</u>
				<u>351,150</u>

The Company's implicit rate of return on Ijara receivables ranges approximately between 4.84% to 10.75% per annum (31 December 2016: 4.49% to 10.58% per annum). Term of Ijara receivables ranges from five to thirty years.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	30 June 2016 <u>(Unaudited)</u>	31 December 2016 <u>(Audited)</u>
Accounts payables	5,159	5,486
Down payment against Ijara financing	2,357	8,183
Accrued expenses	5,839	5,174
Directors' remuneration	978	--
Deferred management fee	2,029	1,036
Deferred commission income	5,818	--
Salaries and employee related benefits	<u>168</u>	<u>382</u>
	<u>22,348</u>	<u>20,261</u>

10. ZAKAT

The Company has estimated its Zakat-base based on estimated business projections for the period ended 30 June 2017. Based on the calculation, the Company has estimated and accrued the Zakat liability amounting to SR 1.955 million for the six month period ended 30 June 2017. (SR 2.050 million for period from 31 March 2015 to 30 June 2016). The Company is in the process of filing its first Zakat declaration for the period from 31 March 2015 to 31 December 2016.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)

For the six-month period ended 30 June 2017

11. SHARE CAPITAL

As at 30 June 2017, the authorised, issued and fully paid-up share capital of the Company was SR 900 million (31 December 2016: SR 900 million) divided into 90 million shares with a nominal value of SR 10 each, which is owned by the shareholders as follows:

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

12. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>For the six- month period ended 30 June 2017 (Unaudited)</u>	<u>For the period from 31 March 2015 to 30 June 2016 (Unaudited)</u>
Salaries and employee related expenses	10,158	12,569
Professional fee	2,261	5,303
Rent and premises related expenses	1,403	1,823
Directors' remuneration and meeting expenses	1,060	3,169
IT expenses	1,406	2,090
Repair and maintenance and other expenses	2,130	1,864
	18,418	26,818

13. SELLING AND MARKETING EXPENSES

	<u>For the six- month period ended 30 June 2017 (Unaudited)</u>	<u>For the period from 31 March 2015 to 30 June 2016 (Unaudited)</u>
Advertising and marketing expenses	3,174	3,919
Salaries and employee related expenses	3,930	1,304
Property evaluation and takaful expenses	1,093	277
	8,197	5,500

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the six-month period ended 30 June 2017

14. 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.

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 six-month period ended 30 June 2017 (Unaudited)	Amount of transactions for the period from 31 March 2015 to 30 June 2016 (Unaudited)
Islamic Corporation for Development Money Market Fund	A fund managed by a shareholder	Sale of available-for-sale investments	<u>(78,845)</u>	<u>--</u>
			Balance at 30 June 2017 (Unaudited)	Balance at 31 December 2016 (Audited)
Islamic Corporation for Development Money Market Fund	A fund managed by a shareholder	Available-for-sale investments	<u><u>--</u></u>	<u><u>78,096</u></u>

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the six-month period ended 30 June 2017

14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The amount of compensations 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 six-month ended 30 June 2017 (Unaudited)	Amount of transactions for the period from 31 March 2015 to 30 June 2016 (Unaudited)
Key Management Personnel	Salaries and benefits	<u>3,737</u>	<u>6,141</u>
	Provision for end of service employees' benefits	<u>75</u>	<u>230</u>
	Directors' remuneration and meeting expenses	<u>907</u>	<u>3,169</u>
		Balance at 30 June 2017 (Unaudited)	Balance at 31 December 2016 (Audited)
<u>Name of related parties</u>	<u>Nature of transactions</u>	Balance at 30 June 2017 (Unaudited)	Balance at 31 December 2016 (Audited)
Key Management Personnel	Provision for end of service employees' benefits	<u>391</u>	<u>353</u>
	Directors' remuneration and meeting expenses	<u>825</u>	<u>315</u>

15. LOSS PER SHARE – BASIC & DILUTED

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

16. CASH AND CASH EQUIVALENTS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash in hand	<u>10</u>	10
Cash at bank – current accounts	<u>46,339</u>	227,004
Held to maturity investments - Maturity of three months or less from the date of purchase	<u>--</u>	<u>203,547</u>
	<u>46,349</u>	<u>430,561</u>

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the six-month period ended 30 June 2017

17. COMMITMENTS

The Company has facilities approved but not utilized as of the reporting date which have the potential to convert into financing, amount to SR 0.423 million (31 December 2016: SR 21.532 million).

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within one year	3,220	3,220
One to three years	5,033	5,033
Three to five years	--	824
	8,253	9,077

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 principle of 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 bank balances, held to maturity investments, available-for-sale investments, Ijara receivables and other receivables. Financial liabilities consist of accrued expenses and other current liabilities payable.

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

Level 1: quoted (unadjusted) 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.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the six-month period ended 30 June 2017

18. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial assets and financial liabilities are as follows:

	30 June 2017 (Unaudited)				
	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value</u>					
Available-for-sale investments	156,758	--	156,758	--	156,758
<u>Financial assets not measured at fair value</u>					
Cash and bank balances	46,349	46,349	--	--	46,349
Ijara receivables, net	644,447	--	--	604,931	604,931
Deposits and other receivables	4,812	--	--	4,812	4,812
	695,608	46,349	--	609,743	656,092
<u>Financial liabilities not measured at fair value</u>					
Accrued expenses and other current liabilities	14,501	--	--	14,501	14,501
31 December 2016 (Audited)					
	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value</u>					
Available-for-sale investments	78,096	--	78,096	--	78,096
<u>Financial assets not measured at fair value</u>					
Cash and bank balances	227,014	227,014	--	--	227,014
Held to maturity investments	203,547	--	--	203,547	203,547
Ijara receivables, net	351,150	--	--	351,150	351,150
Deposits and other receivables	3,059	--	--	3,059	3,059
	784,770	227,014	--	557,756	784,770
<u>Financial liabilities not measured at fair value</u>					
Accrued expenses and other current liabilities	19,225	--	--	19,225	19,225

Since all the held to maturity investments are short-term, their carrying value approximates the fair value, while available-for-sale investments in units of mutual funds have been valued based on net assets value reported by the Fund Manager.

The fair value of Ijara receivables is based on actual cash flows discounted by 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 six-month period ended 30 June 2017, there were no transfers into or out of Level 3.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the six-month period ended 30 June 2017

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 statement of financial position and statement of comprehensive income belongs to the real estate financing segment.

20. CHANGE IN ACCOUNTING POLICY

The change in the accounting policy relating to zakat has the following impacts on the line items of statements of profit or loss and other comprehensive income:

	For the three-month period ended 30 June 2016		
	As previously reported	Adjustment	As restated
Net loss for the period	(5,295)	1,050	(4,245)
Total comprehensive loss for the period	(4,580)	1,050	(3,530)
Loss per share	(0.05)	0.01	(0.05)

	For the period from 31 March 2015 to 30 June 2016		
	As previously reported	Adjustment	As restated
Net loss for the period	(43,995)	2,050	(41,945)
Total comprehensive loss for the period	(42,380)	2,050	(40,330)
Loss per share	(0.49)	0.02	(0.47)

The above change in accounting policy did not have an impact on statement of financial position and cash flows for any of the periods presented.

21. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved for issue by the Board of Directors' on 26 July 2017 (corresponding to 3rd Dhul Qadah, 1438H).