

**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 2021**



## KPMG Professional Services

Riyadh Front, Airport Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Headquarters

Commercial Registration No 1010425494

## كي بي إم جي للاستشارات المهنية

وأجهزة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

# 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 2021;
- the condensed interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2021;
- the condensed interim statement of changes in equity for the nine-month period ended 30 September 2021;
- the condensed interim statement of cash flows for the nine-month period ended 30 September 2021; 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 Standards 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. 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 30 September 2021 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.

## KPMG Professional Services



**Kholoud A. Mousa Altambakti**

License No: 421

Al Riyadh: 22 Rabi ul Awal 1443H

Corresponding to: 28 October 2021



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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للفرزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

**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 2021

		<b>30 September 2021</b>	31 December 2020
	<i>Notes</i>	<b>(Unaudited)</b>	(Audited)
<b><u>ASSETS</u></b>			
Cash and cash equivalents		<b>24,942</b>	25,667
Investments held at fair value through other comprehensive income ("FVOCI")		<b>893</b>	893
Ijara receivables, net	4	<b>2,270,266</b>	2,361,380
Deposits, prepayments and other receivables	5	<b>112,829</b>	135,818
Right-of-use asset		<b>6,741</b>	7,889
Intangible assets, net		<b>5,942</b>	7,218
Property and equipment, net		<b>6,460</b>	5,671
<b>Total assets</b>		<b><u>2,428,073</u></b>	<u>2,544,536</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>			
Financing facilities – secured	7	<b>826,000</b>	1,031,000
Sukuk	8	<b>550,000</b>	300,000
Lease liability		<b>5,834</b>	7,436
Accrued expenses and other current liabilities	6	<b>147,605</b>	331,034
Accrued Zakat		<b>2,593</b>	916
Provision for employees' end of service benefits		<b>4,260</b>	2,918
<b>Total liabilities</b>		<b><u>1,536,292</u></b>	<u>1,673,304</u>
Share capital	10	<b>900,000</b>	900,000
Statutory reserves		<b>5,643</b>	3,588
Accumulated losses		<b>(13,862)</b>	(32,356)
<b>Total Shareholders' equity</b>		<b><u>891,781</u></b>	<u>871,232</u>
<b>Total liabilities and shareholders' equity</b>		<b><u>2,428,073</u></b>	<u>2,544,536</u>

The accompanying notes from 1 to 19 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 2021

	<i>Notes</i>	<b>For the three-month period ended 30 September 2021</b>	For the three- month period ended 30 September 2020	<b>For the nine-month period ended 30 September 2021</b>	For the nine-month period ended 30 September 2020
<b>REVENUE</b>					
Ijara income		36,645	34,127	107,849	94,903
Fee income		2,599	1,571	6,565	6,503
Servicing income		3,075	2,226	8,614	6,200
Gain on sale of portfolio		--	--	11,173	--
<b>Total revenue</b>		<b>42,319</b>	<b>37,924</b>	<b>134,201</b>	<b>107,606</b>
<b>OPERATING EXPENSES</b>					
General and administrative expenses	11	(19,319)	(15,992)	(52,915)	(44,716)
Selling and marketing expenses	12	(3,348)	(3,641)	(10,542)	(10,668)
Depreciation		(802)	(781)	(2,428)	(2,735)
Amortization		(594)	(870)	(1,767)	(2,603)
Impairment charge for credit losses		(524)	(1,081)	(6,200)	(3,581)
Finance charges		(12,056)	(11,899)	(35,503)	(32,709)
<b>Total operating expenses for the period</b>		<b>(36,643)</b>	<b>(34,264)</b>	<b>(109,355)</b>	<b>(97,012)</b>
<b>Operating profit for the period</b>		<b>5,676</b>	<b>3,660</b>	<b>24,846</b>	<b>10,594</b>
Profit on murabaha deposits		--	4	7	46
Gain arising on modification of terms of financing facilities	18	--	1,275	1,052	3,657
<b>Net profit for the period before Zakat</b>		<b>5,676</b>	<b>4,939</b>	<b>25,905</b>	<b>14,297</b>
Zakat charge for the period	9	(1,241)	(1,320)	(5,356)	(2,939)
Net profit for the period after Zakat		4,435	3,619	20,549	11,358
Other comprehensive income		--	--	--	--
<b>Total comprehensive income for the period</b>		<b>4,435</b>	<b>3,619</b>	<b>20,549</b>	<b>11,358</b>
<b>Earnings per share</b>	14	<b>0.05</b>	<b>0.04</b>	<b>0.23</b>	<b>0.13</b>

The accompanying notes from 1 to 19 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 three-month and nine-month periods ended 30 September 2021

	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
Balance as at 1 January 2021	<b>900,000</b>	<b>3,588</b>	<b>(32,356)</b>	<b>871,232</b>
Net profit for the period after Zakat	--	--	<b>20,549</b>	<b>20,549</b>
Other comprehensive income	--	--	--	--
Total comprehensive income for the period	--	--	<b>20,549</b>	<b>20,549</b>
Transfer to statutory reserve	--	<b>2,055</b>	<b>(2,055)</b>	--
<b>Balance at 30 September 2021</b>	<b>900,000</b>	<b>5,643</b>	<b>(13,862)</b>	<b>891,781</b>
Balance at 1 January 2020	900,000	1,085	(54,881)	846,204
Net profit for the year after zakat	--	--	11,358	11,358
Other comprehensive income	--	--	--	--
Total comprehensive income for the year	--	--	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

The accompanying notes from 1 to 19 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 three-month and nine-month periods ended 30 September 2021

	<b>For the nine-month period ended 30 September 2021</b>	For the nine-month period ended 30 September 2020
<b>Cash flows from operating activities:</b>		
Net profit for the period before Zakat	<b>25,905</b>	14,297
<i>Non-cash adjustments to reconcile net profit for the period before Zakat to net cash used in operating activities:</i>		
Depreciation	<b>2,428</b>	2,735
Amortization	<b>1,767</b>	2,603
Finance charges	<b>35,503</b>	32,709
Provision for employees' end of service benefits	<b>1,343</b>	613
Impairment charge for credit losses	<b>6,200</b>	3,581
Profit on murabaha deposits	<b>(7)</b>	(46)
Gain on sale of portfolio	<b>(11,173)</b>	--
Gain arising on modification of terms of financing facilities	<b>1,052</b>	(3,657)
	<b>63,018</b>	52,835
<i>(Increase) / decrease in operating assets</i>		
Ijara receivables	<b>(291,721)</b>	(579,014)
Deposits, prepayments and other receivables	<b>22,989</b>	(49,649)
<i>(Decrease) / increase in operating liabilities</i>		
Accrued expenses and other current liabilities	<b>(183,429)</b>	63,933
	<b>(389,143)</b>	(511,895)
Employees' end of service benefits paid	--	(370)
Finance charges paid	<b>(36,557)</b>	(24,265)
Profit on murabaha deposits received	<b>7</b>	46
Zakat paid	<b>(3,678)</b>	-
<b>Net cash used in operating activities</b>	<b>(429,371)</b>	(536,484)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	<b>(2,069)</b>	(344)
Purchase of intangible assets	<b>(491)</b>	(1,266)
Placement in murabaha deposits	<b>(376,000)</b>	(53,000)
Proceeds from maturity of murabaha deposits	<b>376,000</b>	53,000
<b>Net cash used in from investing activities</b>	<b>(2,560)</b>	(1,610)
<b>Cash flows from financing activities</b>		
Proceeds from sale of Ijara receivables portfolio	<b>387,808</b>	109,214
Payment of lease liabilities	<b>(1,602)</b>	(824)
Proceeds from financing facilities – secured	<b>899,000</b>	593,000
Repayment of financing facilities – secured	<b>(1,104,000)</b>	(400,000)
Proceeds from issuance of sukuk	<b>250,000</b>	(100,000)
<b>Net cash generated from financing activities</b>	<b>431,206</b>	201,390
<b>Net decrease in cash and cash equivalents</b>	<b>(725)</b>	(336,704)
Cash and cash equivalents at beginning of the period	<b>25,667</b>	377,860
<b>Cash and cash equivalents at end of the period</b>	<b>24,942</b>	41,156

The accompanying notes from 1 to 19 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 three-month and nine-month periods ended 30 September 2021

**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 the Saudi Central Bank ("SAMA") to operate as a mortgage finance company wide 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  
20<sup>th</sup> 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 2021 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 Chartered and Professional 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 2020.

**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 2020.

***Benchmark reform of interbank offered rates ("IBOR")***

A fundamental review and reform of major profit rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including its replacement with alternative benchmark rates. The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021, and do not have a material impact on the Company.

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

For the three-month and nine-month periods ended 30 September 2021

**4. IJARA RECEIVABLES, NET**

	<b>30 September 2021</b>	31 December 2020
	<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	
Gross Ijara receivables	<b>3,793,623</b>	4,131,783
Less: Unearned income	<b>(1,512,624)</b>	(1,758,137)
	<b>2,280,999</b>	2,373,646
Less: Impairment allowance for credit losses	<b>(10,733)</b>	(12,266)
<b>Ijara receivables, net</b>	<b>2,270,266</b>	2,361,380

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

	<b>30 September 2021</b>	31 December 2020
	<b>(Unaudited)</b>	(Audited)
Beginning balance	<b>12,266</b>	9,185
Charge for the period / year	<b>1,015</b>	3,081
Write-off during the period / year	<b>(2,548)</b>	--
Closing balance	<b>10,733</b>	12,266

The following table shows reconciliations from the opening to the closing balance of gross carrying amount and loss allowance of Ijara receivables:

**Gross carrying amount**

	<b>30 September 2021 (Unaudited)</b>			
	<b>12 month ECL</b>	<b>Life time ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
Balance at 1 January 2021	2,178,794	37,603	157,249	2,373,646
Transfer to 12-month ECL	36,082	(16,095)	(19,987)	--
Transfer to lifetime ECL not credit impaired	(93,264)	99,645	(6,381)	--
Transfer to lifetime ECL-credit impaired	(27,224)	(4,038)	31,262	--
Financial assets derecognized during the period other than write-offs	(376,308)	--	(3,027)	(379,335)
New financial assets originated during the period	281,907	4,912	2,417	289,236
Write off during the period	--	--	(2,548)	(2,548)
Balance as at 30 September 2021	<b>1,999,987</b>	<b>122,027</b>	<b>158,985</b>	<b>2,280,999</b>
	<b>31 December 2020 (Audited)</b>			
	<b>12 month ECL</b>	<b>Life time ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
Balance at 1 January 2020	1,625,609	44,538	125,109	1,795,256
Transfer to 12-month ECL	44,436	(26,222)	(18,214)	--
Transfer to lifetime ECL not credit impaired	(25,087)	28,249	(3,162)	--
Transfer to lifetime ECL-credit impaired	(40,160)	(13,851)	54,011	--
Financial assets derecognized during the year other than write-offs	(250,861)	(714)	(6,192)	(257,767)
New financial assets originated during the year	824,857	5,603	5,697	836,157
Balance as at 31 December 2020	<b>2,178,794</b>	<b>37,603</b>	<b>157,249</b>	<b>2,373,646</b>



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

For the three-month and nine-month periods ended 30 September 2021

**4. IJARA RECEIVABLES, NET (CONTINUED)**

**Loss allowance**

	<b>30 September 2021 (Unaudited)</b>			
	<b>12 month ECL</b>	<b>Life time ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
Balance at 1 January 2021	849	687	10,730	12,266
Transfer to 12-month ECL	105	(94)	(11)	--
Transfer to lifetime ECL not credit impaired	(1,604)	1,733	(129)	--
Transfer to lifetime ECL credit impaired	(997)	(96)	1,093	
Net charge for the period	2,238	(205)	(1,018)	1,015
Writeoff	--	--	(2,548)	(2,548)
Balance as at 30 September 2021	<b>591</b>	<b>2,025</b>	<b>8,117</b>	<b>10,733</b>

  

	<b>31 December 2020 (Audited)</b>			
	<b>12 month ECL</b>	<b>Life time ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
Balance at 1 January 2020	937	1,125	7,123	9,185
Transfer to 12-month ECL	68	(37)	(31)	--
Transfer to lifetime ECL not credit impaired	(427)	466	(39)	--
Transfer to lifetime ECL credit impaired	(1,591)	(582)	2,173	--
Net charge for the year	1,862	(285)	1,504	3,081
Balance as at 31 December 2020	<b>849</b>	<b>687</b>	<b>10,730</b>	<b>12,266</b>

**5. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	<b>30 September 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Accrued Ijara income, net	25,794	23,733
Prepayments	8,252	7,898
Deferred sales commission	8,625	9,406
Security deposit	345	320
Receivable from Ministry of Housing	55,529	68,381
Other receivables, net	14,284	26,080
	<b>112,829</b>	<b>135,818</b>

5.1 The balance of accrued Ijara income is as follows:

	<b>30 September 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Accrued Ijara income, gross	30,315	32,426
Less: Impairment allowance for credit losses	(4,521)	(8,693)
Closing balance	<b>25,794</b>	<b>23,733</b>

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

For the three-month and nine-month periods ended 30 September 2021

**5. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)**

The movement in the gross carrying amount of Accrued Ijarah income for the period is as follows:

	<b>30 September 2021</b>	31 December 2020
	<b>(Unaudited)</b>	(Audited)
Balance at 1 January 2021	<u>32,426</u>	22,324
Income accrued during the period, net	<b>1,507</b>	10,102
Write off during the period (stage 3)	<u><b>(8,139)</b></u>	--
Balance as at 30 September 2021	<u><b>25,794</b></u>	<u>32,426</u>

The movement in impairment allowance for credit losses for the period is as follows. The provision relates to the Accrued income of Ijara receivables for stage 3 customers

	<b>30 September 2021</b>	31 December 2020
	<b>(Unaudited)</b>	(Audited)
Beginning balance	<u>8,693</u>	4,233
Charge for the period / year	<b>1,186</b>	4,460
Write-off during the period / year	<u><b>(5,358)</b></u>	--
Closing balance	<u><b>4,521</b></u>	<u>8,693</u>

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

5.3 Other receivables include provision charge for expected credit losses amounting to SR 3.99 million.

**6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

		<b>30 September 2021</b>	31 December 2020
	<i>Notes</i>	<b>(Unaudited)</b>	(Audited)
Accounts payable		<b>35,003</b>	26,348
Down payment against Ijara financing	6.1	<b>5,011</b>	357
Accrued expenses		<b>25,056</b>	15,811
Directors' remuneration and meeting expenses		<b>1,483</b>	1,947
Deferred commission income		<b>10,293</b>	11,801
Payable to Ministry of Housing (MOH)	6.2	<b>69,656</b>	273,873
VAT payable to Zakat, Tax, and Customs Authority ("ZTCA")		<u><b>1,103</b></u>	897
		<u><b>147,605</b></u>	<u>331,034</u>

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

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

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

For the three-month and nine-month periods ended 30 September 2021

**7. FINANCING FACILITIES – SECURED**

This represents financing obtained from banks based in the Kingdom of Saudi Arabia amounting to SAR 590 million (2020: SAR 631 million) and Saudi Real Estate Refinance Company (“SRC”) amounting to SAR 236 million (2020: SAR 400 million). These financings 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.

In response to the COVID-19, SAMA launched the deferral payment program to support the finance companies and the Company was eligible for the deferral of its financing instalment payments in accordance with such program during the period as disclosed in note 18.

**8. SUKUK**

During the period, the Company issued unsecured non-convertible unlisted sukuk amounting to SAR 250 million carrying a profit at agreed fixed rates payable quarterly. Out of the total amount of sukuk of SAR 550 million, SAR 300 million will mature in 2022 and the remaining SAR 250 million will mature in 2023.

**9. ZAKAT**

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax, and Customs Authority (“ZTCA”). 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 2021, the Company has made a Zakat provision of SAR 5.36 million (30 September 2020: SAR 2.94 million).

**10. SHARE CAPITAL**

As at 30 September 2021, the authorised, issued and fully paid-up share capital of the Company was SAR 900 million (31 December 2020: SAR 900 million) divided into 90 million shares (31 December 2020: 90 million shares) with a nominal value of SAR 10 each, as follows:

<u>Name of shareholders</u>	<u>Number of shares '000</u>	<u>Holding Percentage (%)</u>	<u>Amount SAR'000</u>
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 Development Company	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
	<b>90,000</b>	<b>100</b>	<b>900,000</b>

**11. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>For the nine- month period ended 30 September 2021 (Unaudited)</u>	<u>For the nine- month period ended 30 September 2020 (Unaudited)</u>
Salaries and employee related expenses	28,854	24,792
Professional fees	5,515	4,450
Rent and premises related expenses	766	953
Directors' remuneration and meeting expenses	1,773	1,497
IT expenses	4,592	4,403
Repairs and maintenance and other expenses	11,415	8,621
	<b>52,915</b>	<b>44,716</b>

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**12. SELLING AND MARKETING EXPENSES**

	<b>For the nine-month period ended 30 September 2021 (Unaudited)</b>	For the nine-month period ended 30 September 2020 (Unaudited)
Advertising and marketing expenses	1,354	1,029
Salaries and employee related expenses	5,207	5,011
Financed property evaluation and Takaful	3,981	4,628
	<b>10,542</b>	<b>10,668</b>

**13. 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>	<u>Amount of transactions for the nine-month period ended 30 September 2021 (Unaudited)</u>	<u>Amount of transactions for the nine-month period ended 30 September 2020 (Unaudited)</u>
Saudi Finance Lease Registry Company (SIJIL)	Common Management	(Refund) / payment of contract services	(749)	1,789
<u>Name of related party</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	<u>Balance at 30 September 2021 (Unaudited)</u>	<u>Balance at 31 December 2020 (Audited)</u>
Saudi Finance Lease Registry Company (SIJIL)	Common Management	Investment held at FVOCI	893	893
		Prepayment for contract services	938	1,711

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**13. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

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>	<b>Amount of transactions for the nine-month period ended 30 September 2021</b> <b>(Unaudited)</b>	Amount of transactions for the nine-month period ended 30 September 2020 <b>(Unaudited)</b>
<b>Key Management Personnel</b>	Salaries and benefits	<b>4,352</b>	5,471
	Provision for end of service benefits	<b>28</b>	254
	Directors' remuneration and meeting expenses	<b>1,773</b>	1,497
		<b>Balance at 30 September 2021</b> <b>(Unaudited)</b>	Balance at 31 December 2020 <b>(Audited)</b>
		<b>1,379</b>	1,351
		<b>1,482</b>	1,947

**14. EARNINGS PER SHARE**

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

**15. 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 17.38 million (31 December 2020: SAR 8.87 million).

At the end of the period, the Company has commitments of SAR 246.67 million against forward Ijara tranches payable to the developers of the properties (31 December 2020: SAR 325.76 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.

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**16. 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 the Company.

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, investments held at FVOCI, Ijara receivables, and deposits and other receivables. Financial liabilities consist of financing facilities, 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. The fair values of the financial assets and liabilities are as follows:

	<b>30 September 2021 (Unaudited)</b>				
<b><u>Carrying value</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>	
<b><u>Financial assets measured at fair value</u></b>					
Investments held at FVOCI	893	--	--	893	893

	<b>31 December 2020 (Audited)</b>				
<b><u>Carrying value</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>	
<b><u>Financial assets measured at fair value</u></b>					
Investments held at FVOCI	893	--	--	893	893

	<b>30 September 2021 (Unaudited)</b>				
<b><u>Carrying value</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>	
<b><u>Financial assets not measured at fair value</u></b>					
Cash and cash equivalents	24,942	24,942	--	--	24,942
Ijara receivables	2,280,999	--	--	2,215,156	2,215,156
Deposits and other receivables	95,952	--	--	95,952	95,952
	<b>2,401,893</b>	<b>24,942</b>	<b>--</b>	<b>2,311,108</b>	<b>2,336,050</b>

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**16. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

<u>Financial assets not measured at fair value</u>	Carrying value	31 December 2020 (Audited)			
		Level 1	Level 2	Level 3	Total
Cash and bank balance	25,667	25,667	--	--	25,667
Ijara receivables	2,373,646	--	--	2,398,413	2,398,413
Deposits and other receivables	118,514	--	--	118,514	118,514
	<u>2,517,827</u>	<u>25,667</u>	<u>--</u>	<u>2,516,927</u>	<u>2,542,594</u>

<u>Financial liabilities not measured at fair value</u>	Carrying value	30 September 2021 (Unaudited)			
		Level 1	Level 2	Level 3	Total
Financing facilities – secured	826,000	--	--	826,000	826,000
Sukuk	550,000	--	--	552,741	552,741
Lease liability	5,834	--	--	5,834	5,834
Accrued expenses and other current liabilities	136,209	--	--	136,209	136,729
	<u>1,518,043</u>	<u>--</u>	<u>--</u>	<u>1,520,784</u>	<u>1,520,784</u>

<u>Financial liabilities not measured at fair value</u>	Carrying value	31 December 2020 (Audited)			
		Level 1	Level 2	Level 3	Total
Financing facilities - secured	1,031,000	--	--	1,031,000	1,031,000
Sukuk	300,000	--	--	300,000	300,000
Lease liability	7,436	--	--	7,436	7,436
Accrued expenses and other current liabilities	318,336	--	--	318,336	318,336
	<u>1,656,772</u>	<u>--</u>	<u>--</u>	<u>1,656,772</u>	<u>1,656,772</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.

The carrying amounts of remaining financial assets and liabilities approximate the fair value except for Sukuk which is calculated based on actual cash flows discounted by the current market rate.

During the nine-month period ended 30 September 2021, there were no transfers into or out of Level 3.

**17. 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.

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

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets, although many geographies are beginning to emerge from precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules as vaccinations targets are met. The government of the Kingdom of Saudi Arabia has managed to successfully control the outbreak to date, owing primarily to the effective measures undertaken.

The Company continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This has entailed reviewing specific economic sectors, counterparties and collateral protection.

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

The prevailing economic conditions require the Company to continue to revise certain inputs and assumptions used for the determination of expected credit losses (“ECL”). As the situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. Accordingly, management’s ECL estimation includes an emphasis on the macroeconomic model underpinning the PD and LGD determinations. The Company has also recognised overlays of SAR 4.20 million as at 30 September 2021 (31 December 2020: SAR 3.70 million). As with any estimates, the projections and likelihoods of occurrence are underpinned by significant judgement, and the Company will continue to individually reassess significant counterparty exposures as more reliable data becomes available, and accordingly determine adjustments to the ECL as appropriate in subsequent reporting periods.

**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. The original deferment of six months was followed on by further extensions, with the full deferral relevant to the Company being for a period of 15 months up until June 2021.

As part of this program, the Company was eligible for the deferral of its financing instalment payments to SRC. 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 30 June 2021, and increasing the facility tenor accordingly. 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 1.05 million in the current period (period ended 30 September 2020: SAR 3.66 million relating to the financing facility from SRC and other bank financing), and this has been presented separately in the condensed interim statement of profit or loss. In addition, during the nine-months period ended 30 September 2021, SAR 2.69 million has been charged to the interim condensed statement of income relating to unwinding of modification gains booked in prior periods.

**19. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS**

These condensed interim financial statements were approved for issue by the Board of Directors’ on 27 October 2021 (corresponding to 21 Rabi’ al Awwal).