

**AMLAK INTERNATIONAL FOR
REAL ESTATE 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
together with the
Independent Auditors' Review report



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**INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM
FINANCIAL STATEMENTS**

To: **The Shareholders**
Amlak International for Real Estate 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 Amlak International for Real Estate 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 and 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: 29 Shawwal 1438H
Corresponding to: 23 July 2017

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	30 June 2017 (Unaudited)	31 December 2016 (Audited) (Restated)	30 June 2016 (Unaudited) (Restated)
(SR '000)				
<u>ASSETS</u>				
Cash and bank balances		31,370	9,347	46,180
Murabaha receivables, net	5	330,193	420,704	436,341
Ijara receivables, net	6	2,584,771	2,489,780	2,460,186
Ijara mawsofa fi athemmah receivables, net	7	119,877	119,725	112,724
Available for sale investment		11,565	10,988	11,312
Positive fair value of derivatives		1,235	2,582	4,087
Prepayments, accrued income and other assets		85,071	94,385	88,730
Investment in joint ventures	8	86,770	112,824	106,287
Property and equipment, net		30,983	29,182	28,466
TOTAL ASSETS		3,281,835	3,289,517	3,294,313
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
<u>EQUITY</u>				
Accounts payable and other accruals	9	81,429	50,859	60,897
Negative fair value of derivatives		1,058	746	-
Zakat and income tax payable	10	1,703	4,003	1,775
Bank borrowings	11	2,069,105	2,091,803	2,139,971
Dividend payable	12	-	-	891
Employees' terminal benefits		9,831	8,834	7,095
TOTAL LIABILITIES		2,163,126	2,156,245	2,210,629
Share capital	13	903,000	900,000	900,000
Statutory reserve		46,573	41,329	36,081
Unrealized loss on available for sale investment		(435)	(1,012)	(688)
Cash flow hedge reserve		177	1,836	4,087
Retained earnings		169,394	191,119	144,204
TOTAL SHAREHOLDERS' EQUITY		1,118,709	1,133,272	1,083,684
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,281,835	3,289,517	3,294,313

The attached notes 1 to 23 form part of these interim condensed financial statements

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2017

	<i>Notes</i>	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
		2017	2016 <i>(Restated)</i>	2017	2016 <i>(Restated)</i>
(SR '000)					
INCOME					
Income from Murabaha contracts		9,217	10,424	18,456	19,976
Income from Ijara contracts		55,161	52,099	109,981	101,413
Income from Ijara mawsofa fi atthemmah contracts		1,884	2,142	3,935	3,582
Processing and appraisal fees, net		752	945	1,277	1,230
INCOME FROM IJARA, MURABAHA AND IJARA MAWSOFA FI ATHEMMAH					
		67,014	65,610	133,649	126,201
Borrowing facility cost and charges		(22,466)	(19,279)	(45,585)	(34,717)
NET INCOME FROM IJARA, MURABAHA AND IJARA MAWSOFA FI ATHEMMAH					
		44,548	46,331	88,064	91,484
<i>Other operating income</i>					
Arrangement fees		-	10	250	130
Share in net income from joint ventures	8	1,648	5,049	3,048	5,799
		46,196	51,390	91,362	97,413
<i>Operating expenses</i>					
General and administrative expenses	15	(16,442)	(17,183)	(33,125)	(33,448)
Selling and marketing expenses	16	(2,625)	(2,769)	(5,185)	(5,177)
Provision for credit losses		3,867	(1,606)	(610)	(4,139)
PROFIT FOR THE PERIOD					
		30,996	29,832	52,442	54,649
Basic and diluted earnings per share (SR)	14	0.34	0.33	0.58	0.61

The attached notes 1 to 23 form part of these interim condensed financial statements

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME
(UNAUDITED)

For the three-month and six-month periods ended 30 June 2017

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	2017	2016 <i>(Restated)</i> <i>(SR '000)</i>	2017	2016 <i>(Restated)</i>
PROFIT FOR THE PERIOD	30,996	29,832	52,442	54,649
OTHER COMPREHENSIVE INCOME / (LOSS)				
<i>Other comprehensive loss / income to be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cash flow hedges	(622)	1,706	(1,659)	1,637
Change in fair value of available for sale investments	577	-	577	-
Total other comprehensive loss / income	(45)	1,706	(1,082)	1,637
TOTAL COMPREHENSIVE INCOME	30,951	31,538	51,360	56,286

The attached notes 1 to 23 form part of these interim condensed financial statements

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the six-month period ended 30 June 2017

	<i>Share Capital</i>	<i>Statutory reserve</i>	<i>Unrealized loss on available for sale investment</i>	<i>Cash flow hedge reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	(SR '000)					
Balance at 31 December 2015 – as previously reported (audited)	900,000	30,754	(688)	2,450	165,363	1,097,879
Effect of restatement (note 21)	-	-	-	-	(1,503)	(1,503)
Balance at 31 December 2015 – restated	900,000	30,754	(688)	2,450	163,860	1,096,376
Net profit for the period as reported in 30 June 2016 condensed interim financial statements (note 21)	-	-	-	-	53,266	53,266
Effect of restatement (note 21)	-	-	-	-	1,383	1,383
Restated profit for the period	-	-	-	-	54,649	54,649
Other comprehensive loss	-	-	-	1,637	-	1,637
Total comprehensive income	-	-	-	1,637	54,649	56,286
Zakat for the period	-	-	-	-	(1,167)	(1,167)
Income tax for the period	-	-	-	-	(311)	(311)
Dividend paid	-	-	-	-	(67,500)	(67,500)
Transfer to statutory reserve	-	5,327	-	-	(5,327)	-
Balance at 30 June 2016 (unaudited and restated)	900,000	36,081	(688)	4,087	144,204	1,083,684
Balance at 31 December 2016 – as previously reported (audited)	900,000	41,329	(1,012)	1,836	193,035	1,135,188
Effect of restatement (note 21)	-	-	-	-	(1,916)	(1,916)
Balance at 31 December 2016 – restated	900,000	41,329	(1,012)	1,836	191,119	1,133,272
Profit for the period	-	-	-	-	52,442	52,442
Other comprehensive income	-	-	577	(1,659)	-	(1,082)
Total comprehensive income	-	-	577	(1,659)	52,442	51,360
Zakat for the period	-	-	-	-	(1,053)	(1,053)
Income tax for the period	-	-	-	-	(370)	(370)
Transfer to statutory reserve	-	5,244	-	-	(5,244)	-
Dividend paid	-	-	-	-	(67,500)	(67,500)
Increase in share capital	3,000	-	-	-	-	3,000
Balance at 30 June 2017 (unaudited)	903,000	46,573	(435)	177	169,394	1,118,709

The attached notes 1 to 23 form part of these interim condensed financial statements

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(continued)
For the six-month period ended 30 June 2017

<i>Analysis of retained earnings</i>	<i>Saudi and GCC shareholders</i>	<i>Non-Saudi and Non-GCC shareholders (SR '000)</i>	<i>Total</i>
Balance at 31 December 2015 – as previously reported (audited)	160,035	5,328	165,363
Effect of restatement (note 21)	(1,455)	(48)	(1,503)
Balance at 31 December 2015 – restated	158,580	5,280	163,860
Net profit for the period as reported in 30 June 2016 condensed interim financial statements (note 21)	51,550	1,716	53,266
Effect of restatement (note 21)	1,338	45	1,383
Restated profit for the period	52,888	1,761	54,649
Zakat for the period	(1,167)	-	(1,167)
Income tax for the period	-	(311)	(311)
Dividends	(65,325)	(2,175)	(67,500)
Transfer to statutory reserve	(5,155)	(172)	(5,327)
	<u>139,821</u>	<u>4,383</u>	<u>144,204</u>
Balance at 31 December 2016 – as previously reported (audited)	187,549	5,486	193,035
Effect of restatement (note 21)	(1,854)	(62)	(1,916)
Balance at 31 December 2016 – restated	185,695	5,424	191,119
Profit for the period	50,752	1,690	52,442
Zakat for the period	(1,053)	-	(1,053)
Income tax for the period	-	(370)	(370)
Transfer to statutory reserve	(5,075)	(169)	(5,244)
Dividends	(65,325)	(2,175)	(67,500)
Balance at 30 June 2017 (unaudited)	<u>164,994</u>	<u>4,400</u>	<u>169,394</u>

The attached notes 1 to 23 form part of these condensed interim condensed financial statements

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASHFLOWS
For the six-month period ended 30 June 2017

	Notes	30 June 2017	30 June 2016
		(SR '000)	
Cash flows from operating activities:			
Profit for the period		52,442	54,649
<i>Non-cash adjustment to reconcile profit for the period to net cash used in operating activities</i>			
Depreciation	15	970	1,253
Borrowing facility cost and charges		45,585	34,717
Employees' terminal benefits		1,101	732
Provision for credit losses		610	4,139
Arrangement fee		-	(130)
Share of net income from joint ventures	8	(3,048)	(5,799)
		<u>97,660</u>	<u>89,561</u>
<i>Decrease / (increase) in operating assets</i>			
Murabaha receivables		92,483	(29,440)
Ijara receivables		(97,419)	(209,454)
Ijara mawsofa fi athemmah receivables		(306)	(3,703)
Prepayments, accrued income and others		9,314	5,359
<i>Increase / (decrease) in operating liabilities</i>			
Accounts payable and accruals		34,898	(8,171)
Cash from / (used in) operations		<u>136,630</u>	<u>(156,239)</u>
Borrowing facility cost and charges paid		(46,913)	(31,933)
Employees' terminal benefits paid		(104)	(391)
Zakat and income tax paid		(3,723)	(2,044)
Net cash from / (used in) operating activities		<u>85,890</u>	<u>(190,216)</u>
Cash flows from investing activities			
Purchase of property and equipment		(2,771)	(2,571)
Proceeds from investments in joint ventures	8	34,187	31,146
Investments in joint ventures	8	(5,085)	(20,437)
Proceeds from available for sale investment		-	130
Net cash from investing activities		<u>26,331</u>	<u>8,268</u>
Cash flows from financing activities			
Payment against bank borrowings		(371,198)	(478,017)
Proceeds from bank borrowings		348,500	763,300
Dividends paid	12	(67,500)	(67,500)
Net cash (used in) / from financing activity		<u>(90,198)</u>	<u>217,782</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>22,023</u>	<u>35,834</u>
Cash and cash equivalents at beginning of the period		9,347	10,346
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		<u>31,370</u>	<u>46,180</u>
Non-cash supplemental information:			
Net changes in fair value of cash flow hedge		(1,659)	1,637
Change in fair value of available for sale investments		577	-

The attached notes 1 to 23 form part of these condensed interim condensed financial statements

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the three-month and six-month periods ended 30 June 2017

1 THE COMPANY AND THE NATURE OF OPERATIONS

Amlak International for Real Estate Finance Company (“Amlak”, the “Company”) is a Saudi Closed joint stock company established and registered in the Kingdom of Saudi Arabia under commercial registration number 1010234356 in Riyadh dated 25 Jumada Awal 1428H (corresponding to 11 June 2007).

As per the revised commercial registration certificate of the Company dated 11 Ramadan 1435H (corresponding to 8 July 2014), the objectives of the Company are to provide real estate finance as per Saudi Arabian Monetary Authority (“SAMA”) license dated 21 Safar 1435H (corresponding to 24 December 2013). As part of the new mortgage regulations, the Company is in the process of exiting from the investment related business.

The registered office of the Company is located at King Saud Road, Riyadh, Kingdom of Saudi Arabia. The Company has the following branches:

<i>Branch Commercial Registration Number</i>	<i>Date</i>	<i>Location</i>
2050057816	30/12/1428	Khobar
4030171680	24/07/1428	Jeddah

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 shareholders’ equity.

Applying the above framework, the condensed interim financial statements of the Company as at and for the six-month and three-month periods ended 30 June 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 21 to the condensed interim financial statements.

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 year ended 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 and fair value of derivatives.

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 SR in thousand.

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 year ended 31 December 2016, except for:

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the three-month and six-month periods ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 21 to the condensed interim financial statements.

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

- Amendments to IASs’-Disclosure Initiative” applicable from January 1, 2017.
- Amendments to IAS 7 – “Statement of Cash Flows”, which is applicable for annual periods beginning on or after January 1, 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.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has not early adopted the following new standards effective for annual periods on or after 1 January 2017.

		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 MURABAHA RECEIVABLES, NET

	30 June 2017 (Unaudited)	31 December 2016 (Audited) (Restated)	30 June 2016 (Unaudited) (Restated)
	(SR ‘000)		
Gross Murabaha sale receivables	386,546	501,619	523,474
Less: Unearned income	(50,958)	(73,548)	(80,547)
	335,588	428,071	442,927
Less: Provision for Murabaha receivables credit losses	(5,395)	(7,367)	(6,586)
Murabaha receivables, net	330,193	420,704	436,341

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the three-month and six-month periods ended 30 June 2017

6 IJARA RECEIVABLES, NET

	30 June 2017 (Unaudited)	31 December 2016 (Audited) (Restated)	30 June 2016 (Unaudited) (Restated)
	(SR '000)		
Gross Ijara receivables	3,435,742	3,282,478	3,240,022
Less: Unearned income	(808,838)	(752,993)	(744,377)
	<u>2,626,904</u>	<u>2,529,485</u>	<u>2,495,645</u>
Less: Provision for Ijara receivables credit losses	(42,133)	(39,705)	(35,459)
Ijara receivables, net	<u><u>2,584,771</u></u>	<u><u>2,489,780</u></u>	<u><u>2,460,186</u></u>

7 IJARA MAWSOFA FI ATHEMMAH RECEIVABLES, NET

	30 June 2017 (Unaudited)	31 December 2016 (Audited) (Restated)	30 June 2016 (Unaudited) (Restated)
	(SR '000)		
Gross Ijara mawsofa fi athemmah receivables	192,272	200,681	190,817
Less: Unearned income	(70,356)	(79,071)	(76,492)
	<u>121,916</u>	<u>121,610</u>	<u>114,325</u>
Less: Provision for Ijara mawsofa fi athemmah receivables credit losses	(2,039)	(1,885)	(1,601)
Ijara mawsofa fi athemmah receivables, net	<u><u>119,877</u></u>	<u><u>119,725</u></u>	<u><u>112,724</u></u>

8 INVESTMENTS IN JOINT VENTURES

The Company has joint control and ownership interest varying between 50% to 90% with different joint arrangements. The joint ventures (JVs) are structured as a separate vehicle and the Company has a residual interest in its net assets. Accordingly, the Company has classified its interest as a joint venture, which is equity-accounted. The Company does not consolidate the results of the JVs as it shares control and equal representation on the Board with the co-venturers. No new investments in excess of original commitments have been made by the Company after 7 November 2014 to comply with the real estate financing laws. The existing portfolio will remain in the name of Company till maturity and disbursements for commitments in investments for ongoing operations will continue to be booked by the Company.

The Company has accounted for the joint ventures based on the latest available management accounts of the JVs. The financial statements of the JVs are prepared for the same reporting period as that of the Company, using consistent accounting policies except for revenue recognition. Necessary, adjustments have been made to the financial statements of the JVs to align with the Company's financial statements.

In accordance with the agreements under which JVs are established, the Company and the co-venture have agreed to make additional contributions in proportion to their interests to make up any losses, if required.

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2017

8 INVESTMENTS IN JOINT VENTURES (CONTINUED)

Movement in investment in Joint Ventures is as follows:

For the six-month period ended 30 June 2017	Location	% of shareholding	Opening balance	Additions	Share in net income (loss) (SR '000)	Withdrawals	Closing balance
a) Dar wa Emar, Olaya	AlOlaya, AlKhobar	50%	39,725	3,859	800	-	44,384
b) Dar wa Emar, Rahba	AlRahba, AlKhobar	90%	17,488	-	400	(4,675)	13,213
d) AbdulAziz Al Qassim, Malga III	Malga, Riyadh	40%	27,482	-	1,340	(9,470)	19,352
h) Tharaa Real Estate Investment	AlMarooj, AlKhobar	50%	8,595	1,226	-	-	9,821
j) Al Masharia Al Oula	Al Yasmin District, Riyadh	60%	14,125	-	508	(14,633)	-
k) Saudi Kyan III	AlNawras, AlKhobar	50%	5,409	-	-	(5,409)	-
			<u>112,824</u>	<u>5,085</u>	<u>3,048</u>	<u>(34,187)</u>	<u>86,770</u>
For the year ended 31 December 2016	Location	% of shareholding	Opening balance	Additions	Share in net income (loss) (SR '000)	Withdrawals	Closing balance
a) Dar wa Emar, Olaya	AlOlaya, AlKhobar	50%	16,068	35,511	1,840	(13,694)	39,725
b) Dar wa Emar, Rahba	AlRahba, AlKhobar	90%	28,364	-	1,800	(12,676)	17,488
c) Teraz Arabia	Erga, Riyadh	70%	15,926	-	4,549	(20,475)	-
d) AbdulAziz Al Qassim, Malga III	Malga, Riyadh	40%	22,949	4,533	-	-	27,482
f) Albani Development Company	Al Yasmin District, Riyadh	50%	3,254	-	(201)	(3,053)	-
g) Saudi Kyan II	AlNawras, AlKhobar	60%	4,110	579	137	(4,826)	-
h) Tharaa Real Estate Investment	AlMarooj, AlKhobar	50%	3,640	8,063	1,977	(5,085)	8,595
i) Abdul Aziz Al Qassim, Al-Aqeeq	AlAqeeq, Riyadh	60%	1,784	600	963	(3,347)	-
j) Al Masharia Al Oula	Al Yasmin District, Riyadh	60%	10,443	2,700	982	-	14,125
k) Saudi Kyan III	AlNawras, AlKhobar	50%	4,659	-	750	-	5,409
			<u>111,197</u>	<u>51,986</u>	<u>12,797</u>	<u>(63,156)</u>	<u>112,824</u>

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and six-month periods ended 30 June 2017

8 INVESTMENTS IN JOINT VENTURES (CONTINUED)

For the six-month periods ended 30 June 2016	Location	% of shareholding	Opening balance	Additions	Share in net income (loss) <i>(SR '000)</i>	Withdrawals	Closing balance
a) Dar wa Emar, Rahba	AlRahba, AlKhobar	90%	28,364	-	500	(3,329)	25,535
b) Dar wa Emar, Olaya	AlOlaya, AlKhobar	50%	16,068	11,762	-	-	27,830
c) Teraz Arabia	Erga, Riyadh	70%	15,926	-	4,549	(20,475)	-
d) AbdulAziz Al Qassim, Malga III	Malga, Riyadh	60%	22,949	1,851	-	-	24,800
e) Albani Development Company	Al Yasmin District, Riyadh	50%	3,254	-	-	(2,290)	964
f) Saudi Kayan II	AlNawras, AlKhobar	60%	4,110	-	-	(1,918)	2,192
g) Tharaa Real Estate Investment	AlMarooj, AlKhobar	50%	3,640	4,145	-	-	7,785
h) Abdul Aziz Al Qassim, Al-Aqeeq	AlAqiq, Riyadh	60%	1,784	600	750	(3,134)	-
i) Al Masharia Al Oula	Al Yasmin District, Riyadh	60%	10,443	1,500	-	-	11,943
j) Saudi Kyan III	AlNawras, AlKhobar	50%	4,659	579	-	-	5,238
			111,197	20,437	5,799	(31,146)	106,287

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9 ACCOUNTS PAYABLE AND OTHER ACCRUALS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)	30 June 2016 (Unaudited)
	(SR '000)		
Advances received from Murabaha and Ijara customers	30,133	9,035	22,300
Accrued expenses	13,095	8,930	8,316
Financing to customers *	9,231	590	106
Accrued profit on borrowing	9,139	10,467	9,953
Salaries and employee related expenses	7,222	14,654	9,546
Others	12,609	7,183	10,676
	81,429	50,859	60,897

* Financing to customers arise when the financing has been disbursed to the customer and there is a normal delay in the transfer of property. The Company do not accrue income on such financing in order to comply with shariah principles.

10 ZAKAT AND INCOME TAX

The Company has submitted the tax/zakat declarations for the years ended 31 December 2007 through 2015 with the General Authority of Zakat and Income Tax (“GAZT”). The GAZT has assessed additional zakat of SR 39.5 million for the years from 2007 to 2010. This is principally due to the fact that the GAZT has not allowed a deduction from zakat base of the net investment in finance leases.

The Company’s appeal with the Preliminary Appeal Committee against the GAZT’s assessment order related to the years 2007 to 2010 and against the interim assessment order related to 2012 has been disallowed on 21 April 2014. As a result, the Company has filed an appeal before the Higher Appeal Committee.

During 2016, the Company has received a letter from GAZT assessing zakat and income tax of SR 44.172 million for the 2011 and 2012 assessment years. In arriving at this figure, GAZT has once again disallowed the deduction of net investments / financing receivables from the zakat base. The Company is contesting this assessment through professional representations.

The Company considers it unlikely that the present position of GAZT will be upheld throughout the appeal process, because the issue of deduction of net investment in finance leases has industry wide implications for leasing, mortgage finance business and any other finance related business where the main assets are receivables.

The Company has not considered the disallowances of deduction of net investment in finance leases for the years ended 31 December 2013, 2014, 2015 and 2016 and in the current period financial statements. There is a potential risk of additional claims by the GAZT, if the same principle were to be applied for these years. If the precedent by the GAZT in respect of the Company’s zakat base for 2011 and 2012 are applied, the potential risk of additional zakat to be assessed by the GAZT would be in the region of SR 26 million for each year from 2013 to 2016.

In November 2016, a letter from GAZT was received to attend a hearing on 05/04/1438 (corresponding to 3 January 2017 on the Appeal filed for 2007-2010 with the Higher Appeal Committee against the decision taken by the Preliminary Appeal committee. The hearing was later postponed until further notice. The Company is contesting this assertion through professional representations.

Due to the uncertainties involved, the Company is unable to assess accurately the final outcome of this matter and has not provided for any potential additional liability, which might arise from the assessment appeal and also from potential assessment of open years in these condensed interim financial statements.

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11 BANK BORROWINGS

These represent amounts borrowed from local banks. These facilities carry borrowing costs at commercial rates of 3 months SIBOR plus spread with maturity ranging from 1 month to 5 years and are secured by the assignment of proceeds from instalment receivables. Under the terms of the arrangement, the Company has to adhere to certain financial and non-financial covenants.

	30 June 2017 (Unaudited)	31 December 2016 (Audited)	30 June 2016 (Unaudited)
	<i>(SR '000)</i>		
Current portion of bank borrowing	773,930	800,211	743,748
Non-current portion of bank borrowing	1,295,175	1,291,592	1,396,223
	<u>2,069,105</u>	<u>2,091,803</u>	<u>2,139,971</u>

12 DIVIDENDS

During the current period, the shareholders have approved and declared dividend of SR Nil (31 December 2016: SR 67.5 million was declared and approved, paid in the current period and 30 June 2016: SR Nil).

13 SHARE CAPITAL

The Company's authorised, issued and paid up share capital is SR 903 million (31 December 2016: SR 900 million: 30 June 2016: SR 900 million) divided into 90.3 million shares with a nominal value of SR 10 each.

During the current period and in accordance with the approval in annual general meeting held on 16 May 2017, the Company has issued 3,000 shares at par value to its employees above certain specified grade as an incentive bonus.

14 EARNINGS PER SHARE

The basic and diluted earnings per share are calculated as follows:

	<i>For the three-month periods ended 30 June</i>		<i>For the six-month periods ended 30 June</i>	
	2017	2016	2017	2016
	<i>(Restated)</i>		<i>(Restated)</i>	
	<i>(SR '000)</i>			
Profit for the period (SR '000)	<u>30,996</u>	<u>29,832</u>	<u>52,442</u>	<u>54,649</u>
Weighted average number of ordinary shares (in thousands)	<u>90,001</u>	<u>90,000</u>	<u>90,001</u>	<u>90,000</u>
Basic and diluted earnings per share (SR)	<u>0.34</u>	<u>0.33</u>	<u>0.58</u>	<u>0.61</u>

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15 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	2017	2016	2017	2016
	(SR '000)			
Salaries and employee related cost	12,086	11,730	23,868	23,106
Rent	814	787	1,626	1,574
Board fee and expenses	583	596	1,526	1,522
Information Technology expenses	461	992	1,512	2,206
Professional fee	732	699	1,350	1,403
Depreciation	484	1,008	970	1,253
Maintenance expenses	266	264	427	413
Travelling expenses	149	252	332	406
Communication	91	234	190	370
Others	776	621	1,324	1,195
	<u>16,442</u>	<u>17,183</u>	<u>33,125</u>	<u>33,448</u>

16 SELLING AND MARKETING EXPENSES

	<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	2017	2016	2017	2016
	(SR '000)			
Outsourcing costs	577	786	1,740	1,545
Insurance	1,185	977	1,723	1,620
Marketing expenses	863	1,006	1,722	2,012
	<u>2,625</u>	<u>2,769</u>	<u>5,185</u>	<u>5,177</u>

17 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.

Significant transactions and balances arising from transactions with related parties are as follows:

	<i>Name of related party</i>	<i>Amounts of transactions</i>	
		<i>30 June 2017 (Unaudited)</i>	<i>30 June 2016 (Unaudited)</i>
		(SR '000)	
<i>Condensed interim statement of profit or loss</i>			
Borrowing facility cost and charges	SAIB	16,151	11,099
Rent expense	Orix Leasing	796	796
Security and other expenses	Orix Leasing	83	40
Salaries and benefits – senior management*	Senior Management	5,001	1,960
Board fee and expenses	Board of Directors	1,626	1,574
Arrangement Fees	Alistithmar Capital	250	130
PRS (profit) cost received/paid	SAIB	(4)	133

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17 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

* Senior management represents the chief executive and his direct reports.

	Relationship	<i>Balances</i>		
		30 June 2017 <i>(Unaudited)</i>	31 December 2016 <i>(Audited)</i> (SR '000)	30 June 2016 <i>(Unaudited)</i>
<i>Bank balances and cash</i>				
Saudi Investment Bank	Shareholder	28,635	3,395	23,529
<i>Ijara receivables, net</i>				
Saudi Investment Bank	Shareholder	-	-	93
<i>Due from related parties</i>				
Abdulaziz AlQassim	Joint venture	-	-	28
Saudi Kayan	Joint venture	-	5,556	11,076
ICAP	Joint venture	1,257	1,007	607
Tharaa	Joint venture	8,029	8,029	2,945
Dar Wa Emar - Olaya	Joint venture	7,714	13,694	-
Tiraz - Arabia	Joint venture	-	-	3,613
Tiraz - Erga	Joint venture	-	-	20,475
<i>Due from related parties</i>				
Abdulaziz AlQassim	Joint venture	-	-	1,363
<i>Bank borrowings</i>				
Saudi Investment Bank	Shareholder	630,017	672,467	677,383
<i>Fair value of Profit Rate Swaps (PRS)</i>				
Saudi Investment Bank	Shareholder	628	1,213	1,736
<i>Financing and advances</i>				
Senior management	Management	4,197	4,361	4,586
<i>Available for sale investments</i>				
Fund managed by Al Istitmar Capital	Affiliates	11,565	10,988	11,312
<i>Other Receivables</i>				
Amlak International For Real Estate Development	Affiliates	1	1	-
<i>Prepaid Rent</i>				
Saudi Orix Leasing	Affiliates	-	398	1,194
<i>Rent Payable</i>				
Saudi Orix Leasing	Affiliates	398	-	-

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18 FAIR VALUE 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 financial asset, financial liabilities and derivatives.

Financial assets consist of bank balances, available for sale investments, derivatives related to interest swaps and receivables. Financial liabilities consist of bank borrowings, payables and derivatives related to interest rate swaps.

Fair value hierarchy

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

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

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

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

The following table shows the carrying amount and fair values of financial assets and financial liabilities where fair value is different from carrying value, including their levels in the fair value hierarchy for financial instruments measured at fair value.

<i>30 June 2017</i>	<i>Carrying Value</i>	<i>Fair Value</i>			<i>Total</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
		<i>(SR '000)</i>			
<i>Financial assets:</i>					
Murabaha receivables, net	330,193	-	-	323,672	323,672
Available for sale investment	11,565	-	11,565	-	11,565
Positive fair value of derivatives	1,235	-	1,235	-	1,235
<i>Financial liabilities:</i>					
Negative fair value of derivatives	1,058	-	1,058	-	1,058
<i>31 December 2016</i>	<i>Carrying Value</i>	<i>Fair Value</i>			<i>Total</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
		<i>(SR '000)</i>			
<i>Financial assets:</i>					
Murabaha receivables, net	420,704	-	-	414,482	414,482
Available for sale investment	10,988	-	10,988	-	10,988
Positive fair value of derivatives	2,582	-	2,582	-	2,582
<i>Financial liabilities:</i>					
Negative fair value of derivatives	746	-	746	-	746

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18 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

30 June 2016	<i>Carrying Value</i>	<i>Fair Value</i>			
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
(SR '000)					
<i>Financial assets:</i>					
Murabaha receivables, net	436,341	-	-	425,598	425,598
Available for sale investment	11,312	-	11,312	-	11,312
Positive fair value of derivatives	4,087	-	4,087	-	4,087

For cash and bank balances, ijara receivables, ijara mawsofa fi athemmah receivable and bank borrowings, carrying value is approximate to fair value.

For assets and liabilities that are recognised in the condensed interim financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 Company's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

The fair values of the financial assets and liabilities are not materially different from their carrying values.

There have been no transfers to and from Level 2 during the period.

19 CAPITAL ADEQUACY

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base. Capital adequacy ratios as monitored and measured by the management below measure capital adequacy by comparing the Company's eligible capital with its condensed interim statement of financial position, commitments and notional amount of derivatives, if any, at a weighted amount determined by management to reflect their relative risk.

	<i>30 June 2017</i>		<i>31 December 2016</i>		<i>30 June 2016</i>	
	<i>(Unaudited)</i>		<i>(Audited)</i>		<i>(Unaudited)</i>	
	<i>Total capital</i>	<i>Tier I capital</i>	<i>Total capital</i>	<i>Tier I capital</i>	<i>Total capital</i>	<i>Tier I capital</i>
	<i>ratio %</i>	<i>ratio %</i>	<i>ratio %</i>	<i>ratio %</i>	<i>ratio %</i>	<i>ratio %</i>
Capital adequacy ratio	49.88	44.17	48.69	42.61	49.92	43.66

20 COMMITMENTS AND CONTINGENCIES

The Company is committed to investment in joint venture projects amounting to SR 43.7 million (31 December 2016: SR 52 million, 30 June 2016: SR 195 million).

The Company has facilities approved but not utilised, 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 SR 448 million (31 December 2016: SR 138 million, 30 June 2016: SR 455 million). The Company has outstanding guarantee of SR 39.4 million (31 December 2016: SR 39.4 million, 30 June 2016: SR 39.4 million).

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21 COMPARATIVE FIGURES

Effective from January 1, 2017, based on the circular issued by SAMA in relation to the “Accounting of Zakat and Income Tax”, the Company amended its accounting policy to charge Zakat and income tax to retained earnings. Previously, Zakat was calculated quarterly and annually, and charged to the statement of profit or loss.

In addition, this change also resulted in derecognising deferred tax previously recognised by the Company under requirements of IAS 12.

The change in the accounting policy has the following impacts on the line items of condensed interim financial statements:

30 June 2016	<i>As previously reported 30 June 2016</i>	<i>Restatement (SR'000)</i>	<i>Amount as restated at 30 June 2016</i>
Zakat for the period – condensed interim statement of Profit or Loss	1,167	(1,167)	-
Income tax for the period – condensed interim statement of Profit or Loss	311	(311)	-
Profit for the period	53,266	1,383	54,649
Total comprehensive income	54,903	1,383	56,286
Earnings per share (SR)	0.59	0.02	0.61
Deferred zakat and tax asset	1,598	(1,598)	-
Retained earnings	145,802	(1,598)	144,204
Total assets	3,295,911	(1,598)	3,294,313
Total shareholders' equity	1,085,282	(1,598)	1,083,684
Total liabilities and shareholders' equity	3,295,911	(1,598)	3,294,313
Capital adequacy ratio			
<i>Total capital ratio</i>	47.74%	-0.07%	47.67%
<i>Tier I capital ratio</i>	41.76%	-0.07%	41.69%
	<i>As previously reported 31 December 2016</i>	<i>Restatement (SR'000)</i>	<i>Amount as restated at 31 December 2016</i>
Deferred zakat and tax asset	1,916	(1,916)	-
Retained earnings	193,035	(1,916)	191,119
Total assets	3,291,433	(1,916)	3,289,517
Total shareholders' equity	1,135,188	(1,916)	1,133,272
Total liabilities and shareholders' equity	3,291,433	(1,916)	3,289,517
Capital adequacy ratio			
<i>Total capital ratio</i>	48.70%	-0.01%	48.69%
<i>Tier I capital ratio</i>	42.61%	-	42.61%
	<i>As previously reported 31 December 2015</i>	<i>Restatement (SR'000)</i>	<i>Amount as restated at 31 December 2015</i>
Retained earnings	165,363	(1,503)	163,860
Total shareholders' equity	1,097,879	(1,503)	1,096,376

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22 SEGMENT INFORMATION

The Company 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.

23 APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements have been approved by the Board of Directors on 26 Shawwal 1438H (corresponding to 20 July 2017).