

**AMLAK INTERNATIONAL FOR
REAL ESTATE FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
For the three-month and nine-month periods
ended 30 September 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 statement of financial position of Amlak International for Real Estate Finance Company as at 30 September 2017, the condensed statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended and the condensed statements of changes in shareholders' equity and cash flows for the nine-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 September 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: 5 Safar 1439H
Corresponding to: 25 October 2017

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		30 September 2017 (Unaudited)	31 December 2016 (Audited) (Restated)	30 September 2016 (Unaudited) (Restated)
	Notes			
(SR '000)				
<u>ASSETS</u>				
Cash and bank balances		3,054	9,347	4,325
Murabaha receivables, net	5	292,125	432,042	447,167
Ijara receivables, net	6	2,754,337	2,537,413	2,467,652
Ijara mawsofa fi athemmah receivables, net	7	119,251	120,218	178,084
Available-for-sale investment		12,887	10,988	10,989
Positive fair value of derivatives		799	2,582	4,704
Prepayments, accrued income and other assets		22,121	34,921	23,195
Investment in joint ventures	8	80,681	112,824	114,008
Property and equipment, net		31,647	29,182	27,219
TOTAL ASSETS		3,316,902	3,289,517	3,277,343
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
<u>EQUITY</u>				
Account payables and other accruals	9	122,262	40,392	58,851
Negative fair value of derivatives		912	746	--
Zakat and income tax payable	10	2,481	4,003	2,882
Bank borrowings	11	2,035,962	2,102,270	2,097,908
Employees' terminal benefits		10,287	8,834	7,491
TOTAL LIABILITIES		2,171,904	2,156,245	2,167,132
Share capital	13	903,000	900,000	900,000
Statutory reserve		49,177	41,329	38,715
Unrealized loss on available-for-sale investment		887	(1,012)	(1,011)
Cash flow hedge reserve		(113)	1,836	4,704
Retained earnings		192,047	191,119	167,803
TOTAL SHAREHOLDERS' EQUITY		1,144,998	1,133,272	1,110,211
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,316,902	3,289,517	3,277,343

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

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

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2017	2016 (Restated)	2017	2016 (Restated)
(SR '000)					
INCOME					
Income from Murabaha contracts		6,294	9,677	24,750	29,653
Income from Ijara contracts		56,281	55,059	166,262	156,472
Income from Ijara mawsofa fi athemmah contracts		2,001	1,635	5,936	5,217
Processing and appraisal fees, net		231	621	1,508	1,851
INCOME FROM IJARA, MURABAHA AND IJARA MAWSOFA FI ATHEMMAH					
		64,807	66,992	198,456	193,193
Borrowing facility cost and charges		(22,290)	(22,835)	(67,875)	(57,552)
NET INCOME FROM IJARA, MURABAHA AND IJARA MAWSOFA FI ATHEMMAH					
		42,517	44,157	130,581	135,641
<i>Other operating income</i>					
Share in net income from joint ventures	8	2,570	1,587	5,618	7,386
Arrangement fees		250	400	500	530
Gain on portfolio sales		--	133	--	133
		45,337	46,277	136,699	143,690
<i>Operating expenses</i>					
General and administrative expenses	15	(16,398)	(16,084)	(49,523)	(49,532)
Selling and marketing expenses	16	(1,916)	(2,317)	(7,101)	(7,494)
Provision for credit losses		(988)	(536)	(1,598)	(4,675)
PROFIT FOR THE PERIOD					
		26,035	27,340	78,477	81,989
Basic and diluted earnings per share (SR)	14	0.29	0.30	0.87	0.91

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

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2017

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	2017	2016 <i>(Restated)</i> <i>(SR '000)</i>	2017	2016 <i>(Restated)</i>
PROFIT FOR THE PERIOD	26,035	27,340	78,477	81,989
OTHER COMPREHENSIVE INCOME / (LOSS)				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cash flow hedges	(290)	617	(1,949)	2,254
Change in fair value of available-for-sale investment	1,322	(323)	1,899	(323)
Total other comprehensive income / (loss)	1,032	294	(50)	1,931
TOTAL COMPREHENSIVE INCOME	27,067	27,634	78,427	83,920

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

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the nine-month period ended 30 September 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 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	-	-	-	-	78,477	78,477
Other comprehensive income / (loss)	-	-	1,899	(1,949)	-	(50)
Total comprehensive income	-	-	1,899	(1,949)	78,477	78,427
Zakat for the period	-	-	-	-	(1,679)	(1,679)
Income tax for the period	-	-	-	-	(522)	(522)
Transfer to statutory reserve	-	7,848	-	-	(7,848)	-
Dividend paid	-	-	-	-	(67,500)	(67,500)
Increase in share capital	3,000	-	-	-	-	3,000
Balance at 30 September 2017 (unaudited)	903,000	49,177	887	(113)	192,047	1,144,998
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 September 2016 condensed interim financial statements (note 21)	-	-	-	-	79,607	79,607
Effect of restatement (note 21)	-	-	-	-	2,382	2,382
Restated profit for the period	-	-	-	-	81,989	81,989
Other comprehensive (loss) / income	-	-	(323)	2,254	-	1,931
Total comprehensive (loss) / income	-	-	(323)	2,254	81,989	83,920
Zakat for the period	-	-	-	-	(2,112)	(2,112)
Income tax for the period	-	-	-	-	(473)	(473)
Dividend paid	-	-	-	-	(67,500)	(67,500)
Transfer to statutory reserve	-	7,961	-	-	(7,961)	-
Balance at 30 September 2016 (unaudited and restated)	900,000	38,715	(1,011)	4,704	167,803	1,110,211

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

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
For the nine-month period ended 30 September 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 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	75,950	2,527	78,477
Zakat for the period	(1,679)	-	(1,679)
Income tax for the period	-	(522)	(522)
Transfer to statutory reserve	(7,595)	(253)	(7,848)
Dividends	(65,327)	(2,173)	(67,500)
Balance at 30 September 2017 (unaudited)	187,044	5,003	192,047
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 September 2016 condensed interim financial statements (note 21)	77,044	2,563	79,607
Effect of restatement (note 21)	2,305	77	2,382
Restated profit for the period	79,349	2,640	81,989
Zakat for the period	(2,112)	-	(2,112)
Income tax for the period	-	(473)	(473)
Dividends	(65,327)	(2,173)	(67,500)
Transfer to statutory reserve	(7,705)	(256)	(7,961)
Balance at 30 September 2016 (unaudited and restated)	162,785	5,018	167,803

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

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)
CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine-month period ended 30 September 2017

	<i>Notes</i>	30 September 2017	30 September 2016
		<i>(SR '000)</i>	
Cash flows from operating activities:			
Profit for the period		78,477	81,989
<i>Non-cash adjustment to reconcile profit for the period to net cash used in operating activities</i>			
Depreciation	15	1,506	1,594
Borrowing facility cost and charges		67,875	57,552
Employees' terminal benefits		1,565	737
Provision for credit losses		1,598	4,647
Arrangement fee		-	(530)
Share of net income from joint ventures	8	(5,618)	(7,386)
		145,403	138,603
<i>Decrease / (increase) in operating assets</i>			
Murabaha receivables		142,674	(34,520)
Ijara receivables		(221,144)	(183,278)
Ijara mawsofa fi athemmah receivables		832	(67,556)
Prepayments, accrued income and others		12,799	28,847
<i>Increase / (decrease) in operating liabilities</i>			
Accounts payable and accruals		84,870	623
Cash from / (used in) operations		165,434	(117,281)
Borrowing facility cost and charges paid		(69,800)	(53,894)
Employees' terminal benefits paid		(112)	-
Zakat and income tax paid		(3,722)	(3,501)
Net cash from / (used in) operating activities		91,800	(174,676)
Cash flows from investing activities			
Purchase of property and equipment		(3,971)	(1,665)
Proceeds from investments in joint ventures	8	42,941	35,705
Investments in joint ventures	8	(5,180)	(31,130)
Proceeds from available-for-sale investment		-	853
Net cash from investing activities		33,790	3,763
Cash flows from financing activities			
Payment against bank borrowings		(561,883)	(760,408)
Proceeds from bank borrowings		497,500	992,800
Dividends paid	12	(67,500)	(67,500)
Net cash (used in) / from financing activity		(131,883)	164,892
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,293)	(6,021)
Cash and cash equivalents at beginning of the period		9,347	10,346
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		3,054	4,325
Non-cash supplemental information:			
Net changes in fair value of cash flow hedge		(1,949)	2,254
Change in fair value of available-for-sale investment		1,899	(323)

The attached notes 1 to 23 form part of these condensed interim 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 nine-month periods ended 30 September 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 nine-month and three-month periods ended 30 September 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 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.

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 nine-month periods ended 30 September 2017

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:

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 September 2017 (Unaudited)	31 December 2016 (Audited)	30 September 2016 (Unaudited)
(SR '000)			
Gross Murabaha sale receivables	337,073	512,957	535,750
Less: Unearned income	(40,338)	(73,548)	(81,647)
	296,735	439,409	454,103
Less: Provision for Murabaha receivables	(4,610)	(7,367)	(6,936)
Murabaha receivables, net	292,125	432,042	447,167

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 nine-month periods ended 30 September 2017

5 MURABAHA RECEIVABLES, NET (CONTINUED)

5.1 The credit quality of Murabaha receivables is as follows

	30 September 2017 (Unaudited)	31 December 2016 (Audited)
Neither past due nor impaired	209,828	311,397
Past due but not impaired	42,063	77,825
Impaired	44,844	50,187
	296,735	439,409

The fair value of collateral of impaired Murabaha receivables held by the Company based on the latest appraisal is SR 127.26 million.

As at 30 September 2017, the ageing of past due but not impaired installments and the related balances of Murabaha receivables are as follows:

	Murabaha receivables (Unaudited)	Past due instalments (Unaudited)
01 – 30 days	23,300	2,451
31 – 60 days	18,010	1,620
61 –90 days	753	306
Total	42,063	4,377

As at 31 December 2016, the ageing of past due but not impaired installments and the related balances of Murabaha receivables are as follows:

	Murabaha receivables (Audited)	Past due instalments (Audited)
01 – 30 days	25,064	721
31 – 60 days	24,034	3,147
61 –90 days	28,727	596
Total	77,825	4,464

5.2 The maturity profile of Murabaha receivables is as follows:

	30 September 2017 (Unaudited)			Total
	Not later than one year	Later than one year but not later than five years	Later than five years	
Murabaha receivables	166,999	168,403	1,671	337,073
Unearned income	(18,916)	(21,157)	(265)	(40,338)
	148,083	147,246	1,406	296,735
Provision for Murabaha receivables				(4,610)
				292,125

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 nine-month periods ended 30 September 2017

5 MURABAHA 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	
Murabaha receivables	187,269	294,905	30,783	512,957
Unearned income	(26,231)	(43,099)	(4,218)	(73,548)
	161,038	251,806	26,565	439,409
Provision for Murabaha receivables				(7,367)
				<u>432,042</u>

6 IJARA RECEIVABLES, NET

	30 September 2017 (Unaudited)	31 December 2016 (Audited) (SR '000)	30 September 2016 (Unaudited)
Gross Ijara receivables	3,622,633	3,330,111	3,249,323
Less: Unearned income	(824,370)	(752,993)	(746,151)
	2,798,263	2,577,118	2,503,172
Less: Provision for Ijara receivables	(43,926)	(39,705)	(35,520)
Ijara receivables, net	<u>2,754,337</u>	<u>2,537,413</u>	<u>2,467,652</u>

6.1 The credit quality of Ijara receivables is as follows

	30 September 2017 (Unaudited)	31 December 2016 (Audited)
Neither past due nor impaired	2,365,599	2,187,275
Past due but not impaired	264,395	289,236
Impaired	168,269	100,607
	<u>2,798,263</u>	<u>2,577,118</u>

The fair value of collateral of impaired Ijara receivables held by the Company based on the latest appraisal is SR 240.86 million.

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 nine-month periods ended 30 September 2017

6 IJARA RECEIVABLES, NET (CONTINUED)

As at 30 September 2017, the ageing of past due but not impaired installments and the related balances of Ijara receivables are as follows:

	Ijara receivables (Unaudited)	Past due instalments (Unaudited)
01 – 30 days	50,159	5,109
31 – 60 days	165,623	9,307
61 –90 days	48,613	3,460
Total	264,395	17,876

As at 31 December 2016, the ageing of past due but not impaired installments and the related balances of Ijara receivables are as follows:

	Ijara receivables (Audited)	Past due instalments (Audited)
01 – 30 days	44,525	4,605
31 – 60 days	232,728	22,517
61 –90 days	11,983	1,182
Total	289,236	28,304

6.2 The maturity profile of Ijara receivables is as follows:

	30 September 2017 (Unaudited)			Total
	Not later than one year	Later than one year but not later than five years	Later than five years	
Ijara receivables	935,657	1,899,738	787,238	3,622,633
Unearned income	(209,899)	(420,983)	(193,488)	(824,370)
	725,758	1,478,755	593,750	2,798,263
Provision for Ijara receivables				(43,926)
				2,754,337
	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	754,670	1,891,592	683,849	3,330,111
Unearned income	(170,403)	(421,278)	(161,312)	(752,993)
	584,267	1,470,314	522,537	2,577,118
Provision for Ijara receivables				(39,705)
				2,537,413

Amlak International for Real Estate Finance Company
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2017

7 IJARA MAWSOFA FI ATHEMMAH RECEIVABLES, NET

	30 September 2017 (Unaudited)	31 December 2016 (Audited) (SR '000)	30 September 2016 (Unaudited)
Gross Ijara mawsofa fi athemmah receivables	193,240	201,174	261,205
Less: Unearned income	(71,969)	(79,071)	(81,396)
	121,271	122,103	179,809
Less: Provision for Ijara mawsofa fi athemmah receivables	(2,020)	(1,885)	(1,725)
Ijara mawsofa fi athemmah receivables, net	119,251	120,218	178,084

7.1 The credit quality of Ijara Mawsofa Fi Athemmah receivables is as follows

	30 September 2017 (Unaudited)	31 December 2016 (Audited)
Neither past due nor impaired	112,728	117,986
Past due but not impaired	8,543	4,117
	121,271	122,103

As at 30 September 2017, the ageing of past due but not impaired installments and the related balances of Ijara Mawsofa Fi Athemmah receivables are as follows:

	Ijara Mawsofa receivables (Unaudited)	Past due instalments (Unaudited)
1 – 30 days	1,018	30
31 – 60 days	6,797	118
61 –90 days	728	18
Total	8,543	166

As at 31 December 2016, the ageing of past due but not impaired installments and the related balances of Ijara Mawsofa Fi Athemmah receivables are as follows:

	Ijara Mawsofa receivables (Audited)	Past due instalments (Audited)
1 – 30 days	2,029	21
31 – 60 days	2,088	21
61 –90 days	-	-
Total	4,117	42

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7 IJARA MAWSOFA FI ATHEMMAH RECEIVABLES, NET (CONTINUED)

7.2 The maturity profile of Ijara Mawsofa Fi Athemmah receivables is as follows:

	30 September 2017 (Unaudited)			Total
	Not later than one year	Later than one year but not later than five years	Later than five years	
Ijara Mawsofa Fi Athemmah receivables	20,006	67,268	105,966	193,240
Unearned income	(8,098)	(26,531)	(37,340)	(71,969)
	11,908	40,737	68,626	121,271
Provision for Ijara Mawsofa Fi Athemmah receivables				(2,020)
				119,251
				119,251
	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 Mawsofa Fi Athemmah receivables	21,362	68,676	111,136	201,174
Unearned income	(8,437)	(27,077)	(43,557)	(79,071)
	12,925	41,599	67,579	122,103
Provision for Ijara Mawsofa Fi Athemmah receivables				(1,885)
				120,218
				120,218

8 INVESTMENTS IN JOINT VENTURES

The Company has joint control and ownership interest varying between 40% 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.

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.

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8 INVESTMENTS IN JOINT VENTURES (CONTINUED)

Movement in investment in Joint Ventures is as follows:

For the nine-month period ended 30 September 2017 (Unaudited)								
	Location	% of shareholding	Opening balance	Additions	Share in net income (SR '000)	Withdrawals	Closing balance	
a) Dar wa Emar, Olaya	AlOlaya, AlKhobar	50%	39,725	3,859	2,600	(443)	45,741	
b) Dar wa Emar, Rahba	AlRahba, AlKhobar	90%	17,488	95	400	(6,786)	11,197	
d) AbdulAziz Al Qassim, Malga III	Malga, Riyadh	40%	27,482	-	2,110	(15,670)	13,922	
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>5,180</u>	<u>5,618</u>	<u>(42,941)</u>	<u>80,681</u>	

For the year ended 31 December 2016 (Audited)								
	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) AbdulAziz 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>	

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8 INVESTMENTS IN JOINT VENTURES (CONTINUED)

For the nine-month period ended 30 September 2016 (Unaudited)	Location	% of shareholding	Opening balance	Additions	Share in net income (loss)	Withdrawals	Closing balance
					(SR '000)		
a) Dar wa Emar, Rahba	AlRahba, AlKhobar	90%	28,364	-	1,800	(7,125)	23,039
b) Dar wa Emar, Olaya	AlOlaya, AlKhobar	50%	16,068	18,012	-	-	34,080
c) Teraz Arabia	Erga, Riyadh	70%	15,926	-	4,549	(20,475)	-
d) AbdulAziz Al Qassim, Malga III	Malga, Riyadh	40%	22,949	3,633	-	-	26,582
e) Albani Development Company	Al Yasim District, Riyadh	50%	3,254	-	-	(3,053)	201
f) Saudi Kayan II	AlNawras, AlKhobar	60%	4,110	579	137	(1,918)	2,908
g) Tharaa Real Estate Investment	AlMarooj, AlKhobar	50%	3,640	5,606	-	-	9,246
h) Abdul Aziz Al Qassim, Al-Aqeeq	AlAqiq, Riyadh	60%	1,784	600	900	(3,134)	150
i) Al Masharia Al Oula	Al Yasim District, Riyadh	60%	10,443	2,700	-	-	13,143
j) Saudi Kyan III	AlNawras, AlKhobar	50%	4,659	-	-	-	4,659
			111,197	31,130	7,386	(35,705)	114,008

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9 ACCOUNT PAYABLES AND OTHER ACCRUALS

	30 September 2017 (Unaudited)	31 December 2016 (Audited) (SR '000)	30 September 2016 (Unaudited)
Advances received from Murabaha and Ijara customers	13,717	9,035	14,691
Accrued expenses	9,264	8,930	8,310
Financing to customers *	73,407	590	14,669
Salaries and employee related expenses	13,260	14,654	11,669
Others	12,614	7,183	9,512
	122,262	40,392	58,851

* Financing to customers arise when the financing has been disbursed to the customer and there is a normal delay in the transfer of property.

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 assessment status is as follows:

- a) 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.

- b) During the year 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 assertion through professional representations.

Preliminary Objection Committee (POC) gave verdict dated 03/09/1438H (corresponding to 29/05/2017G) against Amlak International rejecting the appeal and restating their earlier argument. Responding this decision, Amlak has filed an appeal with the Higher Appeal Committee as on 08/11/1438H (corresponding to 31/07/2017). A bank guarantee amounting to SR 43.5 million was issued for this appeal.

The Company considers it unlikely that the present position of GAZT will be upheld, 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.

Potential impact for unassessed years

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.

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10 ZAKAT AND INCOME TAX (CONTINUED)

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.

On 08/11/1438H (corresponding to 31/07/2017), the Company received a letter from GAZT for the period covering from 2013 to 2016 asking for certain details to which the Company has replied on 29/12/1438H (corresponding to 20/09/2017G).

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.

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 September 2017 (Unaudited)	1 December 2016 (Audited) (SR '000)	0 September 2016 (Unaudited)
Current portion of bank borrowings	863,337	810,678	797,384
Non-current portion of bank borrowings	1,172,625	1,291,592	1,300,524
	2,035,962	2,102,270	2,097,908

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 September 2016: SR 67.5 million).

13 SHARE CAPITAL

The Company's authorised, issued and paid-up share capital is SR 903 million (31 December 2016: SR 900 million; 30 September 2016: SR 900 million) divided into 90.3 million shares (31 December 2016: 90 million shares; 30 September 2016: 90 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 issued 300,000 shares at par value to its employees above certain specified grade as an incentive bonus.

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14 EARNINGS PER SHARE

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

	<i>For the three-month periods ended 30 September</i>		<i>For the nine-month periods ended 30 September</i>	
	2017	2016 (Restated) (Unaudited)	2017	2016 (Restated)
Profit for the period (SR '000)	<u>26,035</u>	<u>27,340</u>	<u>78,477</u>	<u>81,989</u>
Weighted average number of ordinary shares (in thousands)	<u>90,115</u>	<u>90,000</u>	<u>90,115</u>	<u>90,000</u>
Basic and diluted earnings per share (SR)	<u>0.29</u>	<u>0.30</u>	<u>0.87</u>	<u>0.91</u>

15 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	2017	2016	2017	2016
	<i>(Unaudited)</i>			
	<i>(SR '000)</i>			
Salaries and employee related cost	11,280	11,351	35,148	34,457
Rent	728	721	2,078	2,124
Board fee and expenses	410	784	2,036	2,358
Information Technology expenses	989	914	2,515	2,436
Professional fee	1,146	930	2,658	3,136
Depreciation	536	341	1,506	1,594
Maintenance expenses	169	78	359	448
Travelling expenses	240	188	572	594
Communication	285	263	712	676
Others	615	514	1,939	1,709
	<u>16,398</u>	<u>16,084</u>	<u>49,523</u>	<u>49,532</u>

16 SELLING AND MARKETING EXPENSES

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	2017	2016	2017	2016
	<i>(Unaudited)</i>			
	<i>(SR '000)</i>			
Outsourcing costs	736	480	2,476	2,100
Insurance	611	831	2,334	2,376
Marketing expenses	569	1,006	2,291	3,018
	<u>1,916</u>	<u>2,317</u>	<u>7,101</u>	<u>7,494</u>

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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.

In addition to the related party transactions and balances disclosed elsewhere in these condensed interim financial statements, significant transactions and balances arising from transactions with related parties are as follows:

<i>Nature of transactions</i>	<i>Name of related party</i>	<i>Relationship</i>	<i>Amounts of transactions</i>	
			<i>30 September 2017</i>	<i>30 September 2016</i>
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
			<i>(SR '000)</i>	
Borrowing facility cost and charges	The Saudi Investment Bank	Shareholder	23,250	19,034
Rent expense	Orix Leasing	Affiliates	1,194	1,194
Security and other expenses	Orix Leasing	Affiliates	117	121
Salaries and benefits – senior management*	Senior Management	Management	5,001	5,739
Board fee and expenses	Board of Directors	Management	2,036	2,358
Arrangement fee	Alistithmar Capital	Affiliates	500	530
PRS (profit) cost received / paid	SAIB	Shareholder	(10)	1

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

<i>Nature of balances and names of related parties</i>	<i>Relationship</i>	<i>Balances</i>		
		<i>30 September 2017</i>	<i>31 December 2016</i>	<i>30 September 2016</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
		<i>(SR '000)</i>		
Bank balances and cash				
<i>Saudi Investment Bank</i>	Shareholder	(966)	3,395	141
Due from related parties				
<i>Saudi Kayan</i>	Joint venture		5,556	6,247
<i>ICAP</i>	Joint venture	1,507	1,007	1,007
<i>Tharaa</i>	Joint venture	8,029	8,029	2,945
<i>Dar Wa Emar - Olaya</i>	Joint venture	7,033	13,694	-
<i>Tiraz – Erga</i>	Joint venture	-	-	4,280
<i>Abdulaziz AlQassim</i>	Joint venture	-	-	1,335
Bank borrowings				
<i>Saudi Investment Bank</i>	Shareholder	575,817	672,467	657,050
Fair value of Profit Rate Swaps (PRS)				
<i>Saudi Investment Bank</i>	Shareholder	50,000	85,000	85,000
Financing and advances				
<i>Senior management</i>	Management	4,182	4,361	4,490
Available-for-sale investment				
<i>A fund managed by Al Istitmar Capital</i>	Affiliates	12,877	10,988	10,989
Other receivables				
<i>Amlak International For Real Estate Development</i>	Affiliates	1	1	-
Prepaid rent				
<i>Saudi Orix Leasing</i>	Affiliates	796	398	796

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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 interest swaps and receivables. Financial liabilities consist of bank borrowings, payables and derivatives relates 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.

30 September 2017	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
		(SR '000)			
<u>Financial assets:</u>					
Murabaha receivables, net	292,125	-	-	279,481	279,481
Available-for-sale investment	12,887	-	12,887	-	12,887
Positive fair value of derivatives	799	-	799	-	799
<u>Financial liabilities:</u>					
Negative fair value of derivatives	912	-	912	-	912
31 December 2016	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
		(SR '000)			
<u>Financial assets:</u>					
Murabaha receivables, net	432,042	-	-	420,704	420,704
Available-for-sale investment	10,988	-	10,988	-	10,988
Positive fair value of derivatives	2,582	-	2,582	-	2,582
<u>Financial liabilities:</u>					
Negative fair value of derivatives	746	-	746	-	746

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18 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

30 September 2016	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
		(SR '000)			
<u>Financial assets:</u>					
Murabaha receivables, net	447,167	-	-	440,985	440,985
Available-for-sale investment	10,989	-	10,989	-	-
Positive fair value of derivatives	4,704	-	4,704	-	4,704

For cash and bank balances, ijara receivables, ijara mawsofa fi athemmah receivables 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.

	30 September 2017 (Unaudited)		31 December 2016 (Audited) (Restated)		30 September 2016 (Unaudited) (Restated)	
	Total capital ratio %	Tier I capital ratio %	Total capital ratio %	Tier I capital ratio %	Total capital ratio %	Tier I capital ratio %
Capital adequacy ratio	43.79	43.80	48.69	42.61	48.97	42.82

20 COMMITMENTS AND CONTINGENCIES

The Company is committed to investment in joint venture projects amounting to SR 48.5 million (31 December 2016: SR 52 million, 30 September 2016: SR 55 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 370 million (31 December 2016: SR 138 million, 30 September 2016: SR 344 million). The Company has outstanding guarantee of SR 82.9 million (31 December 2016: SR 39.4 million, 30 September 2016: SR 39.4 million) submitted in favour of GAZT for appeal filed by the Company.

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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 September 2016	As previously reported 30 September 2016	Restatement (SR'000)	Amount as restated at 30 September 2016
Zakat for the period – condensed interim statement of Profit or Loss	2,112	(2,112)	-
Income tax for the period – condensed interim statement of Profit or Loss	473	(473)	-
Profit for the period	79,607	2,382	81,989
Total comprehensive income	81,538	2,382	83,920
Earnings per share (SR)	0.88	0.03	0.91
Deferred tax asset	1,706	(1,706)	-
Retained earnings	169,509	(1,706)	167,803
Total assets	3,279,049	(1,706)	3,277,343
Total shareholders' equity	1,111,917	(1,706)	1,110,211
Total liabilities and shareholders' equity	3,279,049	(1,706)	3,277,343
Capital adequacy ratio			
<i>Total capital ratio</i>	47.74%	-0.07%	47.67%
<i>Tier I capital ratio</i>	42.82%	-0.07%	42.75%
	As previously reported 31 December 2016	Restatement (SR'000)	Amount as restated at 31 December 2016
Deferred 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%	-0.01%	42.60%
	As previously reported 31 December 2015	Restatement (SR'000)	Amount as restated at 31 December 2015
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 2 Safar 1439H (corresponding to 22 October 2017).