

**AMLAK INTERNATIONAL FOR  
REAL ESTATE FINANCE COMPANY  
(A Saudi Closed Joint Stock Company)  
CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)  
For the three-month period ended  
31 March 2019  
together with the  
Independent Auditors' Review Report**



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

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

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# Independent auditors' report on review of the condensed interim financial statements

To the shareholders of Amlak International for Real Estate Finance Company

## Introduction

We have reviewed the accompanying 31 March 2019 condensed interim financial statements of Amlak International for Real Estate Finance Company ("the Company"), which comprises:

- the condensed statement of financial position as at 31 March 2019;
- the condensed statement of profit or loss for the three-month period ended 31 March 2019;
- the condensed statement of comprehensive income for the three-month period ended 31 March 2019;
- the condensed statement of changes in equity for the three-month period ended 31 March 2019;
- the condensed statement of cash flows for the three-month period ended 31 March 2019; 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 IAS 34, 'Interim Financial Reporting' as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income 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 31 March 2019 condensed interim financial statements of the Company are not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for the accounting of zakat and income tax.

**For KPMG Al Fozan & Partners**  
**Certified Public Accountants**

**Fahad Mubark Aldossari**  
License No: 469

Al Riyadh, 23 Sha'ban 1440H  
Corresponding to: 28 April 2019



**AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2019  
(SR '000)

		31 March 2019	31 December 2018
	<i>Notes</i>	<b><u>(Unaudited)</u></b>	<b><u>(Audited)</u></b>
<b><u>ASSETS</u></b>			
Cash and cash equivalents		15,569	15,965
Murabaha receivables, net	5	92,297	108,256
Ijara receivables, net	6	2,868,944	2,902,822
Ijara mawsofa fi athemmah receivables, net	7	60,635	79,662
Investments		12,827	12,484
Positive fair value of derivatives		919	1,087
Prepayments and other assets		102,044	106,984
Investment in joint ventures	8	6,322	7,922
Property and equipment, net		58,381	27,838
<b>TOTAL ASSETS</b>		<b><u>3,217,938</u></b>	<b><u>3,263,020</u></b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>			
Account payables and other accruals	9	117,861	92,086
Zakat and income tax payable	10	50,530	36,790
Borrowings	11	1,905,657	1,994,132
Employees' end of service benefits		14,069	13,618
<b>TOTAL LIABILITIES</b>		<b><u>2,088,117</u></b>	<b><u>2,136,626</u></b>
Share capital	13	906,000	906,000
Statutory reserve		61,415	61,415
Fair value reserve		--	(409)
Cash flow hedge reserve		919	1,087
Retained earnings		161,487	158,301
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b><u>1,129,821</u></b>	<b><u>1,126,394</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>3,217,938</u></b>	<b><u>3,263,020</u></b>

**AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONDENSED STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
For the three-month period ended 31 March 2019  
(SR '000)

	<b>For the three-month period ended 31 March</b>	
<i>Notes</i>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>INCOME</b>		
Income from Murabaha contracts	2,117	6,144
Income from Ijara contracts	62,545	57,700
Income from Ijara mawsofa fi athemmah contracts	1,292	1,935
Fees and commission income	2,297	818
<b>Total income from Murabaha, Ijara and Ijara mawsofa fi athemmah</b>	<b>68,251</b>	<b>66,597</b>
Borrowing facility cost and charges	(24,140)	(21,557)
Fee expense	(572)	(414)
<b>Net income from Murabaha, Ijara and ijara mawsofa fi athemmah</b>	<b>43,539</b>	<b>44,626</b>
<b>Other operating income</b>		
Other income	762	207
	<b>44,301</b>	<b>44,833</b>
<b>Other operating expenses</b>		
Depreciation and write off	(631)	(548)
General and administrative expenses	15 (16,840)	(16,059)
Selling and marketing expenses	16 (2,637)	(1,486)
Impairment allowance for credit losses, net	(121)	(1,914)
	<b>(20,229)</b>	<b>(20,007)</b>
<b>PROFIT FOR THE PERIOD</b>	<b>24,072</b>	<b>24,826</b>
Basic and diluted earnings per share (SR)	<b>0.27</b>	<b>0.27</b>

**AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**For the three-month period ended 31 March 2019**  
**(SR '000)**

	<b>For the three-month period ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
<b>PROFIT FOR THE PERIOD</b>	<b>24,072</b>	<b>24,826</b>
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Net movement in cash flow hedges	(168)	467
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
Change in fair value of investments held at FVOCI	--	(1,680)
<b>Total other comprehensive income / (loss)</b>	<b>(168)</b>	<b>(1,213)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>23,904</b>	<b>23,613</b>

**AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
For the three-month period ended 31 March 2019  
(SR '000)

	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Available- for-sale investment reserve</u>	<u>Fair value reserve</u>	<u>Cash flow hedge reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 31 December 2018 – as previously reported (audited)	906,000	61,415	--	(409)	1,087	158,301	1,126,394
Impact of adoption of new standard and other adjustments at 1 January 2019 (note 3)	--	--	--	409	--	(409)	--
Balance at 31 December 2018 – restated	906,000	61,415	--	--	1,087	157,892	1,126,394
Profit for the period	--	--	--	--	--	24,072	24,072
Other comprehensive (loss) / income	--	--	--	--	(168)	--	(168)
<b>Total comprehensive income</b>	--	--	--	--	(168)	24,072	23,904
Zakat for the period	--	--	--	--	--	(3,824)	(3,824)
Income tax for the period	--	--	--	--	--	(45)	(45)
Zakat for prior periods	--	--	--	--	--	(16,608)	(16,608)
<b>Balance at 31 March 2019</b>	<b>906,000</b>	<b>61,415</b>	<b>--</b>	<b>--</b>	<b>919</b>	<b>161,487</b>	<b>1,129,821</b>
Balance at 1 January 2018	903,000	51,654	--	887	380	175,569	1,131,490
Profit for the period	--	--	--	--	--	24,826	24,826
Other comprehensive (loss) / income	--	--	--	(1,680)	467	--	(1,213)
<b>Total comprehensive income</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(1,680)</b>	<b>467</b>	<b>24,826</b>	<b>23,613</b>
Zakat for the period	--	--	--	--	--	(725)	(725)
Income tax for the period	--	--	--	--	--	(193)	(193)
<b>Balance at 31 March 2018</b>	<b>903,000</b>	<b>51,654</b>	<b>--</b>	<b>(793)</b>	<b>847</b>	<b>199,477</b>	<b>1,154,185</b>

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 three-month period ended 31 March 2019  
(SR '000)

	<i>Notes</i>	<b>For the three-month period ended 31 March</b>	
		<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>			
Profit for the period		24,072	24,826
<i>Non-cash adjustment to reconcile profit for the period to net cash from operating activities</i>			
Depreciation		631	548
Borrowing facility cost and charges		24,140	21,557
Employees' end of service benefits		728	624
Impairment allowance for credit losses		121	1,914
Other income		(762)	--
		<u>48,930</u>	<u>49,469</u>
<i>Decrease / (increase) in operating assets</i>			
Murabaha receivables		16,891	18,275
Ijara receivables		32,744	27,696
Ijara mawsofa fi athemmah receivables		19,109	4,799
Prepayments and other assets		1,742	7,421
<i>Increase / (decrease) in operating liabilities</i>			
Accrued expenses and other liabilities		1,852	(27,154)
<b>Cash generated from operations</b>		<u>121,268</u>	<u>80,506</u>
Borrowing costs paid during the period		(23,653)	(21,232)
Employees' end of service benefits paid during the period		(277)	(443)
Zakat and income tax paid		(6,736)	--
<b>Net cash from operating activities</b>		<u>90,602</u>	<u>58,831</u>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(4,095)	(1,324)
Proceeds from investments in joint ventures	8	1,600	7,926
<b>Net cash from investing activities</b>		<u>(2,495)</u>	<u>6,602</u>
<b>Cash flows from financing activities</b>			
Repayment against borrowings		(273,503)	(240,093)
Proceeds from borrowings		185,000	152,821
<b>Net cash used in financing activities</b>		<u>(88,503)</u>	<u>(87,272)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(396)</b>	<b>(21,839)</b>
Cash and cash equivalents at beginning of the period		15,965	29,634
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<u>15,569</u>	<u>7,795</u>
<b>Non-cash supplemental information:</b>			
Net changes in fair value of cash flow hedge		(168)	467
Change in fair value of investments at FVOCI		--	(1,680)
Impact of IFRS 16 - Right-of-use-asset		40,031	--
Impact of IFRS 16 – Lease liability		37,010	--

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 period ended 31 March 2019**

**1. THE COMPANY AND THE NATURE OF OPERATIONS**

Amlak International for Real Estate Finance Company (“Amlak” or “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 the 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**

The condensed interim financial statements for the three-month ended March 31, 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting as modified by Saudi Arabian Monetary Authority (SAMA) for the accounting of zakat and income tax, which requires, adoption of all IFRSs as issued by the International Accounting Standards Board (“IASB”) except for the application of International Accounting Standard (IAS) 12 - “Income Taxes” and IFRIC 21 - “Levies” so far as these relate to zakat and income tax.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements therefore, these should be read in conjunction with the Company’s annual audited financial statements as at and for the year ended 31 December 2018. The Company has adopted IFRS 16 Leases from 1 January 2019 and accounting policies for this new standard are disclosed in the Note 3.

**2.2 Basis of measurement**

These condensed interim financial statements have been prepared under the historical cost convention except for the measurement of investments and derivatives, which are carried at fair value.

**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. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARD**

Effective 1 January 2019, the Company has adopted IFRS 16 - Leases. Accounting policy for the new standard is disclosed in this note of these condensed interim financial statements.

IFRS 16 Leases replaces the guidance on leases, which was included in IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.



**AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY**  
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**(SR'000)**

**3. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARD (CONTINUED)**

**Before 1 January 2019, the Company followed the below accounting policy for leases in which the Company was a lessee:**

*Operating leases*

Where the Company was a lessee, rental payments were recognised as expenses in the statement of profit or loss on a straight-line method basis over the lease contract period.

**Accounting policy applicable on and after 1 January 2019:**

On initial recognition at inception of the contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

*Right of Use Assets*

The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurement of the lease liability.

Generally, right of use assets would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the right of use assets' value.

*Lease Liability*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

After the commencement date, Company measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Company's Financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Company has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was measured at the amount of lease liability, using the lessee's incremental borrowing rate at the time of first time application.

IFRS 16 transition disclosures also requires the Company to present the reconciliation of the off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to the recognized the lease liabilities as of 1 January 2019.

**AMLAQ INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY**  
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**(SR'000)**

**3. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARD (CONTINUED)**

**RECONCILIATION OF LEASE LIABILITIES**

	<u>1 January 2019</u>
<b>Off-balance sheet lease obligations as of 31 December 2018</b>	30,549
Current leases with a lease term of 12 months or less & low-value leases	<u>(26,980)</u>
<b>Operating lease obligations as of 1 January 2019 (Gross without discounting)</b>	3,569
<b>Operating lease obligations as of 1 January 2019 (net, discounted)</b>	<u>3,262</u>
<b>Lease liabilities due to initial application of IFRS 16 as 1 January 2019</b>	<u>3,262</u>

As of 1 January 2019, the Statement of Financial Position is impacted by IFRS 16 as follow:

- Right-of-use asset of SR 3,262 million is included in the "Property and equipment".
- Lease liability of SR 3,262 million is included in the "Accrued expenses and other liabilities".

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies, estimates and assumptions used in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018 except for the accounting policy as explained in note 3.

**5. MURABAHA RECEIVABLES, NET**

	<u>31 March 2019 (Unaudited)</u>	31 December 2018 (Audited)
Gross Murabaha receivables	96,575	113,466
Less: Impairment allowance for credit losses	<u>(4,278)</u>	<u>(5,210)</u>
<b>Murabaha receivables, net</b>	<u>92,297</u>	<u>108,256</u>

**6. IJARA RECEIVABLES, NET**

	<u>31 March 2019 (Unaudited)</u>	31 December 2018 (Audited)
Gross Ijara receivables	3,932,834	3,948,092
Less: Unearned income	<u>(980,289)</u>	<u>(962,803)</u>
	2,952,545	2,985,289
Less: Impairment allowance for credit losses	<u>(83,601)</u>	<u>(82,467)</u>
<b>Ijara receivables, net</b>	<u>2,868,944</u>	<u>2,902,822</u>

**6.1 The maturity profile of Ijara receivables is as follows:**

	<b>31 March 2019 (Unaudited)</b>			<b>Total</b>
	<b>Not later than one year</b>	<b>Later than one year but not later than five years</b>	<b>Later than five years</b>	
Ijara receivables	941,966	2,094,246	896,622	3,932,834
Unearned income	(232,405)	(496,428)	(251,456)	(980,289)
	<u>709,561</u>	<u>1,597,818</u>	<u>645,166</u>	<u>2,952,545</u>
Impairment allowance for credit losses				<u>(83,601)</u>
<b>Ijara receivables, net</b>				<u>2,868,944</u>

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**(SR'000)**

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

	31 December 2018 (Audited)			Total
	Not later than one year	Later than one year but not later than five years	Later than five years	
Ijara receivables	1,011,366	2,048,796	887,930	3,948,092
Unearned income	(234,500)	(481,066)	(247,237)	(962,803)
	<u>776,866</u>	<u>1,567,730</u>	<u>640,693</u>	<u>2,985,289</u>
Impairment allowance for credit losses				(82,467)
Ijara receivables, net				<u><u>2,902,822</u></u>

**7. IJARA MAWSOFA FI ATHEMMAH RECEIVABLES, NET**

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Gross Ijara mawsofa fi atthemmah receivables	116,575	131,864
Less: Unearned income	<u>(55,793)</u>	<u>(51,973)</u>
	60,782	79,891
Less: Impairment allowance for credit losses	<u>(147)</u>	<u>(229)</u>
<b>Ijara mawsofa fi atthemmah receivables, net</b>	<u><u>60,635</u></u>	<u><u>79,662</u></u>

7.1 The maturity profile of Ijara mawsofa fi atthemmah receivables is as follows:

	31 March 2019 (Unaudited)			Total
	Not later than one year	Later than one year but not later than five years	Later than five years	
Ijara mawsofa fi atthemmah receivables	10,877	35,812	69,886	116,575
Unearned income	(4,999)	(18,688)	(32,106)	(55,793)
	<u>5,878</u>	<u>17,124</u>	<u>37,780</u>	<u>60,782</u>
Impairment allowance for credit losses				(147)
<b>Ijara mawsofa fi atthemmah receivables, net</b>				<u><u>60,635</u></u>

	31 December 2018 (Audited)			Total
	Not later than one year	Later than one year but not later than five years	Later than five years	
Ijara mawsofa fi atthemmah receivables	12,608	43,780	75,476	131,864
Unearned income	(5,674)	(19,515)	(26,784)	(51,973)
	<u>6,934</u>	<u>24,265</u>	<u>48,692</u>	<u>79,891</u>
Impairment allowance for credit losses				(229)
				<u><u>79,662</u></u>

**AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
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**8. INVESTMENTS IN JOINT VENTURES**

The Company has joint control and ownership interest varying between 40% to 90% with different joint arrangements. These joint ventures (JVs) are structured as a separate vehicle and the Company has a residual interest in their net assets 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 the Company till maturity and disbursements for commitments (as disclosed in note 20) 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.

**AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY**  
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**8. INVESTMENTS IN JOINT VENTURES (CONTINUED)**

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

Movement of investment in joint ventures is as follows:

<b>For the three-month period ended 31 March 2019 (Unaudited)</b>		<b>% of shareholding</b>	<b>Opening balance</b>	<b>Additions</b>	<b>Share in net income</b>	<b>Distributions</b>	<b>Closing balance</b>
	<b>Location</b>						
a) Dar wa Emar, Rahba	AlRahba, AlKhobar	90%	5,050	--	--	--	5,050
b) AbdulAziz Al Qassim, Malga III	Malga, Riyadh	40%	2,872	--	--	(1,600)	1,272
			<b>7,922</b>	<b>--</b>	<b>--</b>	<b>(1,600)</b>	<b>6,322</b>
<b>For the year ended 31 December 2018 (Audited)</b>		<b>% of shareholding</b>	<b>Opening balance</b>	<b>Additions</b>	<b>Share in net income</b>	<b>Distributions</b>	<b>Closing balance</b>
	<b>Location</b>						
a) Dar wa Emar, Olaya	AlOlaya, AlKhobar	50%	11,218	--	--	(11,218)	--
b) Dar wa Emar, Rahba	AlRahba, AlKhobar	90%	9,280	--	(240)	(3,990)	5,050
c) AbdulAziz Al Qassim, Malga III	Malga, Riyadh	40%	9,032	1,235	--	(7,395)	2,872
			<b>29,530</b>	<b>1,235</b>	<b>(240)</b>	<b>(22,603)</b>	<b>7,922</b>

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**9. ACCOUNT PAYABLES AND OTHER ACCRUALS**

	<b>31 March</b>	31 December
	<b>2019</b>	2018
	<b>(Unaudited)</b>	<b>(Audited)</b>
Payable to the Ministry of Housing	<b>30,095</b>	26,278
Lease liabilities (note 3)	<b>23,923</b>	--
Amount received from Murabaha and Ijara customers (note 9.1)	<b>15,431</b>	8,857
Financing to customers (note 9.2)	<b>11,171</b>	21,163
Salaries and employee related expenses	<b>8,260</b>	10,205
Accrued expenses	<b>5,533</b>	6,330
Others	<b>23,448</b>	19,253
	<b><u>117,861</u></b>	<u>92,086</u>

**9.1** This majorly represents down payment received from the customers, which is not paid to the seller of the property.

**9.2** Financing to customers arise when the financing arrangement has been agreed with the customer, but the amount is not disbursed due to a normal delay in the transfer of property.

**10. ZAKAT AND INCOME TAX**

***Zakat and income tax assessment and status update***

Zakat and income tax declaration for all the years up to 2017 have been filed with the General Authority of Zakat and Tax ("GAZT") and acknowledgement certificates have been obtained.

***2007 to 2012***

Subsequent to the three month period ended 31 March 2019, the Company has received a letter from GAZT for the settlement of the Company's zakat and income tax liability for these year, which has been accepted by the Company and accordingly, the Company has recorded and paid the zakat and tax liability amounted to SR 12.6 million.

***2013 to 2017***

During the three month period ended 31 March 2019, the Company has signed a settlement agreement with GAZT in respect of zakat assessment years from 2013 to 2017. Pursuant to this settlement agreement, the Company is liable to pay an amount of SR 33.6 million in six instalments in five years as the final settlement for its zakat assessment. During the three-month period ended 31 March 2019, the Company has paid the first instalment of SR 6.7 million to GAZT and recorded a liability to remaining installments amount. Apart from this there is no change in the tax status of the Company as disclosed in the annual financial statements for the year ended 31 December 2018.

***2018***

Under the above settlement agreement, GAZT has defined the Zakat computation method for the year 2018. Accordingly, the Company's recorded Zakat liability of SR 9.5 million for the year 2018.

***2019***

The Company has recorded zakat provision for Q1 2019 in accordance with new zakat regulations issued on 17 March 2019.

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**11. BORROWINGS**

These represent amounts borrowed from local commercial banks under Islamic borrowings approved by Sharia Committee. These facilities carry borrowing costs at profit rates ranging from 3 months to 3 years 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 financing arrangement, the Company adhered to certain financial and non-financial covenants. A breakdown of bank borrowings by maturity was as follows:

	<b>31 March 2019 (Unaudited)</b>	31 December 2018 (Audited)
<i>Borrowings:</i>		
- Accrued profit	9,600	9,572
- Current	765,992	800,164
- Non-current	1,130,065	1,184,396
	<u>1,905,657</u>	<u>1,994,132</u>

**12. DIVIDEND**

During the three-month period ended 31 March 2019, the shareholders have approved, declared and paid dividend of SR nil (31 March 2018: SR 67.7 million).

**13. SHARE CAPITAL**

As at 31 March 2019, the Company's authorised, issued and paid-up share capital was SR 906 million (31 December 2018: SR 906 million) divided into 90.6 million shares (31 December 2018: 90.6 million shares) with a nominal value of SR 10 each.

**14. EARNINGS PER SHARE**

The basic and diluted earnings per share have been computed by dividing profit for the period by the weighted average numbers of share outstanding during the period.

	<b>For the three-month period ended 31 March</b>	
	<b>2019 (Unaudited)</b>	2018
Profit for the period	<u>24,072</u>	<u>24,826</u>
Weighted average number of ordinary shares (in thousands)	<u>90,600</u>	<u>90,300</u>
Basic and diluted earnings per share (SR)	<u>0.27</u>	<u>0.27</u>

**15. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>For the three-month period ended 31 March</b>	
	<b>2019 (Unaudited)</b>	2018
Salaries and employees related cost	12,734	12,221
Board fee and expenses	1,179	529
Professional fee	682	734
IT expenses	616	893
Travelling expenses	251	220
Communication	139	143
Maintenance expenses	112	111
Rent	69	670
Others	1,058	538
	<u>16,840</u>	<u>16,059</u>

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**16. SELLING AND MARKETING EXPENSES**

	<b>For the three-month period ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<i>(Unaudited)</i>	
Marketing expenses	834	625
Outsourcing costs	1,354	569
Insurance	449	292
	<b>2,637</b>	<b>1,486</b>

**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:

<u>Nature of transactions</u>	<u>Name of related party and relationship</u>	<b>For the three-month period ended 31 March</b>	
		<i>(Unaudited)</i>	
		<b>2019</b>	<b>2018</b>
Borrowing facility cost and charges	The Saudi Investment Bank (shareholder)	<b>6,087</b>	6,737
Rent expense	Saudi Orix Leasing (affiliate)	<b>398</b>	398
Security and other expenses	Saudi Orix Leasing (affiliate)	<b>22</b>	12
PRS (profit) cost received / paid	The Saudi Investment Bank (shareholder)	--	48
Salaries and benefits	Key management personnel*	<b>4,740</b>	5,329
Board meeting fees and other expenses	Board members	<b>1,179</b>	529

\* Key management personnel represent the chief executive and his direct reports.



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

<u>Nature of balances and names of related parties</u>	<u>Relationship</u>	<u>Balances</u>	
		<u>31 March 2019</u> <u>(Unaudited)</u>	<u>31 December 2018</u> <u>(Audited)</u>
<b>Bank balances:</b>			
The Saudi Investment Bank	Shareholder	<b>7,469</b>	7,809
<b>Due from related parties:</b>			
Alistithmar Capital	Joint venture	<b>1,774</b>	1,775
Tharaa Real Estate Investment	Affiliate	<b>3,009</b>	3,009
<b>Bank borrowings:</b>			
The Saudi Investment Bank	Shareholder	<b>454,510</b>	441,740
<b>Notional amount of Profit Rate Swaps (PRS):</b>			
The Saudi Investment Bank	Shareholder	<b>50,000</b>	50,000
<b>Financing and advances:</b>			
Key management personnel	Key management	<b>3,890</b>	4,005
<b>Investments:</b>			
SAIB Saraya Tower Real Estate Development Fund	Affiliate	<b>11,934</b>	11,591
<b>Other receivables:</b>			
Amlak International For Real Estate Development	Subsidiary	<b>305</b>	305
Receivable against initial public offering	Shareholders	<b>3,653</b>	3,281
<b>Prepaid rent:</b>			
Saudi Orix Leasing	Affiliate	--	398
<b>Board meeting and other expenses payable</b>			
Board members	Board members	<b>2,454</b>	1,276
<b>Other Payable:</b>			
Amlak International For Real Estate Development	Subsidiary	<b>305</b>	305

**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, investments, derivatives related profit swaps, murabaha, ijara, ijara mawsofa fi athemmah receivable and receivable from joint ventures. Financial liabilities consist of borrowings, payables and derivatives relates to profit 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.

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**18. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

31 March 2019	<u>Carrying Value</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b><u>Financial assets:</u></b>					
Murabaha receivables, net	92,297	--	--	80,607	80,607
Investment at FVTPL – Fund	11,934	--	--	11,934	11,934
Investment at FVOCI – Equity	893	--	--	893	893
Positive fair value of derivatives	919	--	919	--	919
		<u>Fair Value</u>			
31 December 2018	<u>Carrying Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>Financial assets:</u></b>					
Murabaha receivables, net	113,466	--	--	93,917	93,917
Investment at FVOCI – Fund	11,591	--	--	11,591	11,591
Investment at FVOCI – Equity	893	--	--	893	893
Positive fair value of derivatives	1,087	--	1,087	--	1,087

The valuation of Murabaha receivables is estimated using contractual cash flows discounted at latest variable yield, which is the contracted profit rate for recent transactions. Input into the discounted cash flow techniques includes Saudi Inter Bank Offer Rates (SIBOR), contractual cash flows and primary origination spreads.

The fair value of Ijara receivables, Ijara mawsofa fi athemmah receivables and borrowings, is approximate to carrying amount as the entire financing portfolio and borrowings are floating rate.

There have been no transfers to and from Level 3 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 statement of financial position, commitments and notional amount of derivatives, if any, at a weighted amount determined by management to reflect their relative risk.

	31 March 2019 (Unaudited)		31 December 2018 (Audited)	
	<u>Total capital ratio %</u>	<u>Tier I capital ratio %</u>	<u>Total capital ratio %</u>	<u>Tier I capital ratio %</u>
Capital adequacy ratio	47.44	47.4	44.46	44.43

**20. COMMITMENTS AND CONTINGENCIES**

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 99.5 million (31 December 2018: SR 96 million).

The Company has an outstanding guarantee of SR 82.9 million (31 December 2018: SR 82.9 million) submitted in favour of GAZT for appeal filed by the Company.

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**21. 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.

For management purposes, the Company is organised into the following primary business segments:

**Retail**

These represents finance products granted to high net worth, small and medium sized businesses and individuals.

**Corporate**

These represents financing products granted to corporate and institutional customers. Investments in joint ventures are managed by the Corporate segment.

**Head office**

Head office is responsible for managing the surplus liquidity of the Company and provides support services to the business functions.

The Company's total assets and liabilities at 31 March 2019 and 31 December 2018 and its total operating income, expenses and net income for the three-month periods ended 31 March 2019 and 2018 are as follows:

	<u>Retail</u>	<u>Corporate</u>	<u>Head office</u>	<u>Total</u>
<b>For the period ended 31 March 2019 (Unaudited)</b>				
Revenue	22,280	46,733	--	69,013
Expenses	14,500	30,441	--	44,941
Profit / (loss)	7,780	16,292	--	24,072
<b>For the period ended 31 March 2018 (Unaudited)</b>				
Revenue	20,756	46,048	--	66,804
Expenses	13,287	28,691	--	41,978
Profit / (loss)	7,469	17,357	--	24,826
<b>As at 31 March 2019 (Unaudited)</b>				
Total assets	929,429	2,216,661	71,848	3,217,938
Total liabilities	554,500	1,377,759	155,858	2,088,117
<b>As at 31 December 2018 (Audited)</b>				
Total assets	990,895	2,227,236	44,889	3,263,020
Total liabilities	618,583	1,404,377	113,666	2,136,626

**22. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

The condensed interim financial statements have been approved by the Board of Directors on 20 Sha'ban 1440H (corresponding to 25 April 2019).