

**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 2019
together with the
Independent Auditor's Review Report**



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Independent auditor's 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 30 September 2019 condensed interim financial statements of Amlak International for Real Estate Finance Company ("the Company"), which comprises:

- the condensed interim statement of financial position as at 30 September 2019;
- the condensed interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2019;
- the condensed interim statement of comprehensive income for the three-month and nine-month periods ended 30 September 2019;
- the condensed interim statement of changes in equity for the nine-month period ended 30 September 2019;
- the condensed interim statement of cash flows for the nine-month period ended 30 September 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 the International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2019 condensed interim financial statements of Amlak International for Real Estate Finance Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Fahad Mubark Aldossari
License No: 469
Al Riyadh, 28 Safar 1441H
Corresponding to: 27 October 2019



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AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2019
(SR '000)

| | | 30 September | 31 December |
|--|-------------|-------------------------|-------------------------|
| | <i>Note</i> | <u>2019</u> | <u>2018</u> |
| | | (Unaudited) | (Restated) |
| | | | (Audited) |
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | | 8,638 | 15,965 |
| Murabaha receivables, net | 5 | 79,676 | 108,256 |
| Ijara receivables, net | 6 | 2,847,582 | 2,902,822 |
| Ijara mawsofa fi athemmah receivables, net | 7 | 63,871 | 79,662 |
| Investments | | 11,922 | 12,484 |
| Prepayments and other assets | | 111,688 | 106,984 |
| Positive fair value of derivatives | | 356 | 1,087 |
| Deferred tax asset | 10 | 173 | 516 |
| Investment in joint ventures | 8 | 4,061 | 7,922 |
| Property and equipment, net | | 56,383 | 27,838 |
| TOTAL ASSETS | | <u>3,184,350</u> | <u>3,263,536</u> |
| <u>LIABILITIES AND EQUITY</u> | | | |
| Account payables and other accruals | 9 | 125,421 | 92,086 |
| Negative fair value derivatives | | 1,166 | -- |
| Zakat and income tax payable | 10 | 37,289 | 36,790 |
| Borrowings | 11 | 1,900,668 | 1,994,132 |
| Employees' end of service benefits | | 15,069 | 13,618 |
| TOTAL LIABILITIES | | <u>2,079,613</u> | <u>2,136,626</u> |
| Share capital | 13 | 906,000 | 906,000 |
| Statutory reserve | | 61,415 | 61,415 |
| Fair value reserve | | -- | (409) |
| Cash flow hedge reserve | | (810) | 1,087 |
| Retained earnings | | 138,132 | 158,817 |
| TOTAL EQUITY | | <u>1,104,737</u> | <u>1,126,910</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>3,184,350</u> | <u>3,263,536</u> |

The attached notes 1 to 22 form part of these condensed interim 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 nine-month periods ended 30 September 2019
(SR '000)

| | <i>Note</i> | For the three-month period ended 30 September | | For the nine-month period ended 30 September | |
|--|-------------|--|---|---|---|
| | | <u>2019</u> | <u>2018</u> (Restated) | <u>2019</u> | <u>2018</u> (Restated) |
| INCOME | | | | | |
| Income from murabaha contracts | | 1,870 | 3,633 | 5,972 | 13,609 |
| Income from ijara contracts | | 66,298 | 59,323 | 192,363 | 173,352 |
| Income from ijara mawsofa fi athemmah contracts | | 1,316 | 1,527 | 3,667 | 5,017 |
| Gain on sale of portfolio | | 9,396 | -- | 9,777 | -- |
| Fees and commission income | | 5,642 | 1,557 | 10,304 | 3,473 |
| Total income from Murabaha, Ijara and Ijara mawsofa fi athemmah | | 84,522 | 66,040 | 222,083 | 195,451 |
| Fee expense | | (87) | (549) | (1,611) | (1,239) |
| Borrowing costs | | (24,406) | (22,551) | (71,768) | (65,970) |
| Net income from ijara, murabaha and ijara mawsofa fi athemmah | | 60,029 | 42,940 | 148,704 | 128,242 |
| <i>Other operating (loss) / income</i> | | | | | |
| Other (loss) / income | | (905) | -- | (312) | 226 |
| | | 59,124 | 42,940 | 148,392 | 128,468 |
| OPERATING EXPENSES | | | | | |
| Depreciation and write off | | (789) | (567) | (2,038) | (1,667) |
| General and administrative expenses | 15 | (17,532) | (14,501) | (53,419) | (47,266) |
| Selling and marketing expenses | 16 | (3,934) | (4,262) | (9,139) | (7,857) |
| Impairment charge for credit losses, net | | (7,775) | -- | (6,097) | -- |
| Profit before zakat and income tax | | 29,094 | 23,610 | 77,699 | 71,678 |
| Zakat and income tax expense: | | | | | |
| - Current period | | (4,334) | (636) | (13,057) | (2,205) |
| - Prior period | | -- | -- | (16,608) | -- |
| NET PROFIT FOR THE PERIOD AFTER ZAKAT AND INCOME TAX | | 24,760 | 22,974 | 48,034 | 69,473 |
| Basic and diluted earnings per share (SR) | 14 | 0.27 | 0.25 | 0.53 | 0.77 |

The attached notes 1 to 22 form part of these condensed interim financial statements

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2019
(SR '000)

| | For the three-month period ended 30 September | | For the nine-month period ended 30 September | |
|---|---|---------------------------|--|---------------------------|
| | <u>2019</u> | <u>2018</u> (Restated) | <u>2019</u> | <u>2018</u> (Restated) |
| NET PROFIT FOR THE PERIOD | 24,760 | 22,974 | 48,034 | 69,473 |
| OTHER COMPREHENSIVE (LOSS) / INCOME | | | | |
| <i>Items that may be reclassified to profit or loss in subsequent periods:</i> | | | | |
| Net movement in cash flow hedges | 1,935 | 328 | (1,897) | 1,202 |
| <i>Items that will not be reclassified to profit or loss in subsequent periods:</i> | | | | |
| Change in fair value of investments held at Fair Value through Other Comprehensive Income (FVOCI) | -- | -- | -- | (1,680) |
| Actuarial loss on defined benefit plans | -- | -- | (360) | (64) |
| Total other comprehensive (loss) / income | 1,935 | 328 | (2,257) | (542) |
| TOTAL COMPREHENSIVE INCOME | 26,695 | 23,302 | 45,777 | 68,931 |

The attached notes 1 to 22 form part of these condensed interim financial statements

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine-month period ended 30 September 2019
(SR '000)

| | <u>Share capital</u> | <u>Statutory reserve</u> | <u>Unrealised gain/(loss) on available for sale investment</u> | <u>Unrealised gain/(loss) on investment at FVOCI</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 change in accounting of zakat and income tax (note 4) | -- | -- | -- | -- | -- | 516 | 516 |
| Balance at 31 December 2018 – as restated | 906,000 | 61,415 | -- | (409) | 1,087 | 158,817 | 1,126,910 |
| Impact of adoption of new standard and other adjustments at 1 January 2019 (note 3) | -- | -- | -- | 409 | -- | (409) | -- |
| Net profit for the period | -- | -- | -- | -- | -- | 48,034 | 48,034 |
| Other comprehensive loss | -- | -- | -- | -- | (1,897) | (360) | (2,257) |
| Total comprehensive (loss) / income | -- | -- | -- | -- | (1,897) | 47,674 | 45,777 |
| Dividend (note 12) | -- | -- | -- | -- | -- | (67,950) | (67,950) |
| Balance at 30 September 2019 | 906,000 | 61,415 | -- | -- | (810) | 138,132 | 1,104,737 |
| | | | | | | | |
| Balance at 31 December 2017 – as previously reported (audited) | 903,000 | 51,654 | 887 | -- | 380 | 213,375 | 1,169,296 |
| Impact of change in accounting of zakat and income tax (note 4) | -- | -- | -- | -- | -- | 508 | 508 |
| Balance at 31 December 2017 – as restated | 903,000 | 51,654 | 887 | -- | 380 | 213,883 | 1,169,804 |
| Impact of adopting new standard as at 1 January 2018 | -- | -- | (887) | 887 | -- | (37,806) | (37,806) |
| Net profit for the period | -- | -- | -- | -- | -- | 69,485 | 69,485 |
| Other comprehensive (loss) / income | -- | -- | -- | (1,680) | 1,202 | (64) | (542) |
| Total comprehensive (loss) / income | -- | -- | -- | (1,680) | 1,202 | 69,421 | 68,943 |
| Dividend (note 12) | -- | -- | -- | -- | -- | (67,725) | (67,725) |
| Increase in share capital | 3,000 | -- | -- | -- | -- | -- | 3,000 |
| Balance at 30 September 2018 - as restated | 906,000 | 51,654 | -- | (793) | 1,582 | 177,773 | 1,136,216 |

The attached notes 1 to 22 form part of these condensed interim financial statements

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOW (UNAUDITED)
For the nine-month period ended 30 September 2019
(SR '000)

| | For the nine-month period ended 30 September | |
|---|---|------------------|
| <i>Note</i> | 2019 | 2018 |
| Cash flows from operating activities: | | |
| Net profit for the period before zakat and income tax | 77,699 | 71,678 |
| <i>Non-cash adjustment to reconcile net profit before zakat and income tax for the period to net cash from operating activities</i> | | |
| Depreciation | 2,038 | 1,667 |
| Borrowing facility cost and charges | 71,768 | 65,250 |
| Employees' end of service benefits | 2,134 | 1,908 |
| Impairment allowance for credit losses | 6,097 | -- |
| Gain on sale of portfolio | (9,777) | -- |
| Other income | 312 | -- |
| | 150,271 | 140,503 |
| <i>Decrease / (increase) in operating assets</i> | | |
| Murabaha receivables | 30,958 | 110,472 |
| Ijara receivables | 46,866 | (4,710) |
| Ijara mawsofa fi athemmah receivables | 15,690 | 36,640 |
| Prepayments and other assets | 2,037 | (3,003) |
| <i>Increase / (decrease) in operating liabilities</i> | | |
| Accrued expenses and other liabilities | 12,029 | 26,162 |
| Cash generated from operations | 257,851 | 306,064 |
| Borrowing costs paid during the period | (71,733) | (65,586) |
| Employees' end of service benefits paid during the period | (1,043) | (2,549) |
| Zakat and income tax paid | (29,393) | (3,331) |
| Net cash generated from operating activities | 155,682 | 234,598 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (6,375) | (3,406) |
| Proceeds from investments in joint ventures | 4,111 | 15,831 |
| Investments in joint ventures | - | (1,235) |
| Net cash (used in) / from investing activities | (2,264) | 11,190 |
| Cash flows from financing activities | | |
| Repayment against borrowings | (830,854) | (934,717) |
| Proceeds from borrowings | 738,000 | 746,562 |
| Dividend paid | (67,891) | (67,700) |
| Net cash generated from / (used in) financing activities | 160,745 | (255,855) |
| Net increase in cash and cash equivalents | (7,327) | (10,067) |
| Cash and cash equivalents at beginning of the period | 15,965 | 29,634 |
| Cash and cash equivalents at end of the period | 8,638 | 19,567 |
| Non-cash supplemental information: | | |
| Net changes in fair value of cash flow hedge | (1,897) | 1,202 |
| Change in fair value of investments at FVOCI | -- | (1,680) |
| Issuance of share capital – bonus shares issued | -- | 3,000 |
| Right-of-use-asset | 24,208 | -- |
| Lease liability | 21,250 | -- |

The attached notes 1 to 22 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 2019
(SR'000)

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:

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

The Company owns a wholly owned Amlak International For Real Estate Development Company (the “Subsidiary”), having a share capital of SR 500,000. The objective of the Subsidiary is to hold titles to the real estate properties financed by the Company. The Company has not consolidated the subsidiary as assets and liabilities of this subsidiary are not considered material.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements of the Company as at and for the period ended 30 September 2019 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants (“SOCPA”).

The financial statements of the Company as at and for the period and year ended 31 March 2019 and 31 December 2018, respectively, were prepared in compliance with IAS 34 and the International Financial Reporting Standards (“IFRS”) respectively, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 “Income Taxes” and International Financial Reporting Interpretation Committee Interpretation (“IFRIC”) 21 “Levies” so far as these relate to zakat and income tax) and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 17 July 2019, SAMA instructed the financing companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (“IASB”) and as endorsed in the Kingdom of Saudi Arabia and with the other standards and pronouncements that are issued by the Saudi Organisation for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

Accordingly, the Company changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, as disclosed in note 4 to the condensed interim financial statements including the effects of this change.

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 2019
(SR ‘000)

2. BASIS OF PREPARATION (CONTINUED)

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”.

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.

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 2019
(SR '000)

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

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 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 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.

RECONCILIATION OF LEASE LIABILITIES

| | 1 January <u>2019</u> |
|--|--------------------------|
| Off-balance sheet lease obligations as of 31 December 2018 | 30,549 |
| Current leases with a lease term of 12 months or less & low-value leases | <u>(26,980)</u> |
| Operating lease obligations as of 1 January 2019 (Gross without discounting) | 3,569 |
| Operating lease obligations as of 1 January 2019 (net, discounted) | <u>3,262</u> |
| Lease liabilities due to initial application of IFRS 16 as 1 January 2019 | <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 3.3 million is included in the "Property and equipment".
- Lease liability of SR 3.3 million is included in the "Accrued expenses and other liabilities".

INVESTMENT

As at 1 January 2019, the Company has rectified the classification of its investment in SAIB Saraya Tower Real Estate Development Fund from fair value through other comprehensive income to fair value through profit or loss (FVTPL). Accordingly, fair value reserve has been taken to retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the 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 policies in note 3 and the changes in the accounting for zakat and income tax as explained below:

Change in the accounting for zakat and income tax:

As mentioned above, the basis of preparation has been changed for the period ended 30 September 2019 as a result of the issuance of latest instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in equity as per the SAMA circular no 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the zakat and income tax shall be recognized in the statement of profit or loss. The Company has accounted for this change in the accounting for zakat and income tax retrospectively (see below in this note) including the effects of the above change. The change has resulted in reduction of reported income of the Company for the period ended 30 September 2018 by SR 2.2 million. The change has had no impact on the statement of cash flows for the period ended 30 September 2018.

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 2019
(SR '000)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Below is the accounting policies on zakat and income tax:

Income tax:

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted for the changes in deferred tax assets and liabilities attributable to the temporary differences and unused tax losses, if any.

IFRIC 23 "Uncertainty over Income Tax Treatment":

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

Deferred tax:

Deferred tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 2019
(SR '000)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax (continued):

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised

Zakat:

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

Effect of change in accounting of zakat and income tax:

The change in the accounting treatment for zakat and income tax as explained this note has the following impact on the line items of the statement of financial position, statements of income and statement of changes in shareholders' equity:

As at and for the nine-month period ended 30 September 2018:

| | Before restatement | Effect of restatement | As restated |
|--|-------------------------------|----------------------------------|--------------------|
| <i>Statement of financial position</i> | | | |
| Deferred tax asset | -- | 496 | 496 |
| <i>Statement of profit or loss</i> | | | |
| Zakat and income tax expenses | -- | (2,205) | (2,205) |
| Earnings per share | 0.79 | (0.02) | 0.77 |
| <i>Statement of changes in Equity</i> | | | |
| Provision for zakat and income tax (retained earnings) | (2,193) | 2,193 | -- |

As at and for the three-month period ended 30 September 2018:

| | Before restatement | Effect of restatement | As restated |
|--|-------------------------------|----------------------------------|--------------------|
| <i>Statement of financial position</i> | | | |
| Deferred tax asset | -- | 496 | 496 |
| <i>Statement of profit or loss</i> | | | |
| Zakat and income tax expenses | -- | (636) | (636) |
| Earnings per share | 0.26 | (0.01) | 0.25 |
| <i>Statement of changes in Equity</i> | | | |
| Provision for zakat and income tax (retained earnings) | (633) | 633 | -- |

As at 31 December 2018:

| | Before restatement | Effect of restatement | As restated |
|--|-------------------------------|----------------------------------|--------------------|
| <i>Statement of financial position</i> | | | |
| Deferred tax asset | -- | 516 | 516 |
| <i>Statement of changes in Equity</i> | | | |
| Provision for zakat and income tax (retained earnings) | 158,301 | 516 | 158,817 |

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of change in accounting of zakat and income tax (continued):

As at 1 January 2018:

| | <u>Before restatement</u> | <u>Effect of restatement</u> | <u>As restated</u> |
|--|-------------------------------|----------------------------------|--------------------|
| <i>Statement of financial position</i> | | | |
| Deferred tax asset | -- | 508 | 508 |
| <i>Statement of changes in Equity</i> | | | |
| Provision for zakat and income tax (retained earnings) | 213,375 | 508 | 213,883 |

5. MURABAHA RECEIVABLES, NET

| | 30 September 2019 (Unaudited) | 31 December 2018 (Audited) |
|--|--|---|
| Gross Murabaha receivables | 82,508 | 113,466 |
| Less: Impairment allowance for credit losses | (2,832) | (5,210) |
| Murabaha receivables, net | 79,676 | 108,256 |

6. IJARA RECEIVABLES, NET

| | 30 September 2019 (Unaudited) | 31 December 2018 (Audited) |
|--|--|---|
| Gross Ijara receivables | 3,961,438 | 3,948,092 |
| Less: Unearned income | (1,023,015) | (962,803) |
| | 2,938,423 | 2,985,289 |
| Less: Impairment allowance for credit losses | (90,841) | (82,467) |
| Ijara receivables, net | 2,847,582 | 2,902,822 |

During the period ended 30 September 2019, the Company sold its Ijara receivables amounted to SR 205.84 million (30 September 2018: SR 77.641 million) and entered into an agency contract to services these receivables.

6.1 The maturity profile of Ijara receivables is as follows:

| | <u>30 September 2019 (Unaudited)</u> | | | <u>Total</u> |
|--|--|--|----------------------------------|------------------|
| | <u>Not later than one year</u> | <u>Later than one year but not later than five years</u> | <u>Later than five years</u> | |
| Ijara receivables | 942,091 | 2,017,555 | 1,001,792 | 3,961,438 |
| Less: Unearned income | <u>(243,490)</u> | <u>(527,601)</u> | <u>(251,924)</u> | (1,023,015) |
| | 698,609 | 1,489,954 | 749,868 | 2,938,423 |
| Less: Impairment allowance for credit losses | | | | (90,841) |
| Ijara receivables, net | | | | 2,847,582 |

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6. IJARA RECEIVABLES, NET (CONTINUED)

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

7. IJARA MAWSOFA FI ATHEMMAH RECEIVABLES, NET

| | 30 September 2019 (Unaudited) | 31 December 2018 (Audited) |
|---|--|--------------------------------------|
| Gross Ijara mawsofa fi athemmah receivables | 106,955 | 131,864 |
| Less: Unearned income | (42,754) | (51,973) |
| | 64,201 | 79,891 |
| Less: Impairment allowance for credit losses | (330) | (229) |
| Ijara mawsofa fi athemmah receivables, net | 63,871 | 79,662 |

During the period ended 30 September 2019, the Company sold its Ijara mawsofa fi athemmah receivables amounted to SR 29.84 million (30 September 2018: SR 27 million) and entered into an agency contract to services these receivables.

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

| | 30 September 2019 (Unaudited) | | | <u>Total</u> |
|---|--------------------------------|--|------------------------------|---------------|
| | <u>Not later than one year</u> | <u>Later than one year but not later than five years</u> | <u>Later than five years</u> | |
| Ijara mawsofa fi athemmah receivables | 8,949 | 31,034 | 66,972 | 106,955 |
| Less: Unearned income | (4,478) | (15,315) | (22,961) | (42,754) |
| | 4,471 | 15,719 | 44,011 | 64,201 |
| Less: Impairment allowance for credit losses | | | | (330) |
| Ijara mawsofa fi athemmah receivables, net | | | | 63,871 |

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

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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 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.

Movement of investment in joint ventures is as follows:

| For the nine-month period ended 30 September 2019 (Unaudited) | | | | | | | | |
|--|-------------------|------------------------------|----------------------------|------------------|--------------------------------|----------------------|----------------------------|--|
| | <u>Location</u> | <u>% of shareholding</u> | <u>Opening balance</u> | <u>Additions</u> | <u>Share in net income</u> | <u>Distributions</u> | <u>Closing balance</u> | |
| a) Dar wa Emar, Rahba | AlRahba, AIKhobar | 90% | 5,050 | -- | -- | (989) | 4,061 | |
| b) AbdulAziz Al Qassim, Malga III | Malga, Riyadh | 40% | 2,872 | -- | 250 | (3,122) | -- | |
| | | | <u>7,922</u> | <u>--</u> | <u>250</u> | <u>(4,111)</u> | <u>4,061</u> | |
| For the year ended 31 December 2018 (Audited) | | | | | | | | |
| | <u>Location</u> | <u>% of shareholding</u> | <u>Opening balance</u> | <u>Additions</u> | <u>Share in net income</u> | <u>Distributions</u> | <u>Closing balance</u> | |
| a) Dar wa Emar, Rahba | AlRahba, AIKhobar | 90% | 9,280 | -- | (240) | (3,990) | 5,050 | |
| b) AbdulAziz Al Qassim, Malga III | Malga, Riyadh | 40% | 9,032 | 1,235 | -- | (7,395) | 2,872 | |
| c) Dar wa Emar, Olaya | AIOlaya, AIKhobar | 50% | 11,218 | -- | -- | (11,218) | -- | |
| | | | <u>29,530</u> | <u>1,235</u> | <u>(240)</u> | <u>(22,603)</u> | <u>7,922</u> | |

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9. ACCOUNT PAYABLES AND OTHER ACCRUALS

| | 30 September 2019 | 31 December 2018 |
|--|------------------------------|-----------------------------|
| | <u>(Unaudited)</u> | <u>(Audited)</u> |
| Payable to the Ministry of Housing | 31,934 | 26,278 |
| Financing to customers (note 9.1) | 38,829 | 21,163 |
| Lease liabilities (note 3) | 21,250 | -- |
| Salaries and employee related expenses | 13,335 | 10,205 |
| Accrued expenses | 6,572 | 6,330 |
| Amount received from Murabaha and Ijara customers (note 9.2) | 4,237 | 8,857 |
| Others | 9,264 | 19,253 |
| | <u>125,421</u> | <u>92,086</u> |

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

10. ZAKAT AND INCOME TAX

10.1 Zakat and income tax assessment and status update

Zakat and income tax declaration for all the years up to 2018 have been filed with the General Authority of Zakat and Tax ("GAZT") and acknowledgement certificates have been obtained.

During the nine-month period ended 30 September 2019, apart from following there is no change in the zakat and income tax status of the Company as disclosed in the annual financial statements for the year ended 31 December 2018.

2007 to 2012

The Company has signed a settlement agreement with GAZT in respect of zakat and income tax assessment years from 2007 to 2013. Pursuant to this settlement agreement, the Company paid SR 12.6 million.

2013 to 2017

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 over five years as the final settlement for its zakat assessment. During the period ended 30 September 2019, the Company has paid the first instalment of SR 6.7 million to GAZT and recorded a liability for remaining installments.

2018

Under the 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 the nine-month period ended 30 September 2019 in accordance with new zakat regulations issued on 17 March 2019.

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10. ZAKAT AND INCOME TAX (CONTINUED)

10.2 Deferred tax

Deferred tax asset pertain to deductible temporary differences arising from impairment allowance for expected credit loss, depreciation of property and equipment and end of service benefits charge. Movements of the account balance accounted are as follows:

| | 30 September 2019 | 31 December 2018 | 30 September 2018 |
|---|------------------------------|-------------------------|---------------------------|
| | (Unaudited) | (Restated) (Audited) | (Restated) (Unaudited) |
| Opening balance | <u>516</u> | 508 | 508 |
| (Reversal) / origination of temporary differences | <u>(343)</u> | 8 | (12) |
| Closing balance | <u>173</u> | <u>516</u> | <u>496</u> |

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 3 years 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 covenants. A breakdown of bank borrowings by maturity was as follows:

| | 30 September 2019 | 31 December 2018 |
|--------------------|------------------------------|---------------------|
| | (Unaudited) | (Audited) |
| <i>Borrowings:</i> | | |
| - Current | <u>667,471</u> | 809,736 |
| - Non-current | <u>1,233,197</u> | 1,184,396 |
| | <u>1,900,668</u> | <u>1,994,132</u> |

As at 30 September 2019, current portion of borrowings includes accrued profit amounted to SR 8.96 million (31 December 2018: SR 9.5 million).

12. DIVIDEND

During the nine-month period ended 30 September 2019, the shareholders have approved, declared and paid dividend of SR 67.9 million (30 September 2018: SR 67.7 million).

13. SHARE CAPITAL

As at 30 September 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.

| | For the three-month period ended 30 September | | For the nine-month period ended 30 September | |
|---|--|---------------|---|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | (Unaudited) | (Restated) | (Unaudited) | (Restated) |
| Net profit for the period | <u>24,760</u> | <u>22,974</u> | <u>48,034</u> | <u>69,473</u> |
| Weighted average number of ordinary shares (in thousands) | <u>90,600</u> | <u>90,461</u> | <u>90,600</u> | <u>90,461</u> |
| Basic and diluted earnings per share (SR) | <u>0.27</u> | <u>0.25</u> | <u>0.53</u> | <u>0.77</u> |

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15. GENERAL AND ADMINISTRATIVE EXPENSES

| | For the three-month period ended 30 September | | For the nine-month period ended 30 September | |
|-------------------------------------|---|---------------|--|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Salaries and employees related cost | 13,365 | 10,112 | 38,712 | 34,548 |
| Professional fee | 642 | 795 | 3,010 | 2,231 |
| Board fee and expenses | 1,179 | 991 | 3,536 | 2,507 |
| Maintenance and others expenses | 143 | 483 | 2,709 | 2,496 |
| IT expenses | 1,122 | 837 | 2,322 | 1,820 |
| Rent | 572 | 726 | 1,627 | 2,214 |
| Travelling expenses | 270 | 267 | 885 | 770 |
| Communication | 239 | 290 | 618 | 680 |
| | 17,532 | 14,501 | 53,419 | 47,266 |

16. SELLING AND MARKETING EXPENSES

| | For the three-month period ended 30 September | | For the nine-month period ended 30 September | |
|--------------------|---|--------------|--|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| Outsourcing costs | 1,492 | 2,641 | 4,212 | 3,890 |
| Marketing expenses | 858 | 766 | 2,550 | 2,425 |
| Insurance | 1,584 | 855 | 2,377 | 1,542 |
| | 3,934 | 4,262 | 9,139 | 7,857 |

17. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company includes its shareholders, subsidiary, affiliated entities, joint ventures, key management personnel and the Board of Directors. 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:

| Nature of transactions | Name of related party and relationship | Amounts of transactions | | | |
|--|--|---|-------------------|--|-------------------|
| | | For the three-month period ended 30 September | | For the nine-month period ended 30 September | |
| | | 2019 (Unaudited) | 2018 (Audited) | 2019 (Unaudited) | 2018 (Audited) |
| Borrowing facility cost and charges | The Saudi Investment Bank (Shareholder) | 7,040 | 5,556 | 19,895 | 19,270 |
| Rent expense | Saudi Orix Leasing (Affiliate) | 398 | 398 | 1,194 | 1,206 |
| Security and other expenses | Saudi Orix Leasing (Affiliate) | 40 | 35 | 130 | 120 |
| Salaries and benefits | Key management personnel* | 2,011 | 1,942 | 8,762 | 6,732 |
| Board meeting fee and other expenses | Board members | 1,179 | 991 | 3,536 | 2,507 |
| Profit Rate Swap (PRS) cost received / paid | The Saudi Investment Bank (Shareholder) | 93 | -- | 213 | 2 |

* 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>30 September 2019</u> <u>(Unaudited)</u> | <u>31 December 2018</u> <u>(Audited)</u> |
| Bank balances: | | | |
| The Saudi Investment Bank | Shareholder | 16,328 | 7,809 |
| Due from related parties: | | | |
| Alistithmar Capital | Affiliate | 1,775 | 1,775 |
| Tharaa Real Estate Investment | Joint venture | 1,029 | 3,009 |
| Bank borrowings: | | | |
| The Saudi Investment Bank | Shareholder | 636,173 | 441,740 |
| Notional amount of PRS: | | | |
| The Saudi Investment Bank | Shareholder | 50,000 | 50,000 |
| Financing and advances: | | | |
| Key management personnel | Key management | 3,656 | 4,005 |
| Investments: | | | |
| SAIB Saraya Tower Real Estate Development Fund | Affiliate | 11,029 | 11,591 |
| Other receivables: | | | |
| Amlak International For Real Estate Development | Subsidiary | 305 | 305 |
| Receivable against initial public offering | Shareholders | 4,317 | 3,281 |
| Prepaid rent: | | | |
| Saudi Orix Leasing | Affiliate | -- | 398 |
| Board meeting and other expenses payable | | | |
| Board members | Board members | 4,749 | 1,276 |

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 assets consist of cash and cash equivalents, investments, derivatives, Murabaha, Ijara and Ijara mawsofa fi athemmah receivable and other receivables. Financial liabilities consist of borrowings, derivatives and other payables.

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.

| 30 September 2019 (Unaudited) | Carrying Value | Fair Value | | | Total |
|------------------------------------|----------------|------------|---------|---------|--------|
| | | Level 1 | Level 2 | Level 3 | |
| <u>Financial assets:</u> | | | | | |
| Murabaha receivables, net | 82,508 | -- | -- | 69,473 | 69,473 |
| Investment at FVTPL – Fund | 11,029 | -- | -- | 11,029 | 11,029 |
| Investment at FVOCI – Equity | 893 | -- | -- | 893 | 893 |
| Positive fair value of derivatives | 356 | -- | 356 | -- | 356 |
| <u>Financial Liability:</u> | | | | | |
| Negative fair value derivatives | 1,166 | -- | 1,166 | -- | 1,166 |
| | | | | | |
| 31 December 2018 (Audited) | Carrying Value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| <u>Financial assets:</u> | | | | | |
| Murabaha receivables, net | 113,466 | -- | -- | 93,917 | 93,917 |
| Investments | 12,484 | -- | -- | 12,484 | 12,484 |
| 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 credit 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 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 2019 (Unaudited) | | 31 December 2018 (Audited) | |
|------------------------|----------------------------------|---------------------------|-------------------------------|---------------------------|
| | Total capital ratio % | Tier I capital ratio % | Total capital ratio % | Tier I capital ratio % |
| Capital adequacy ratio | 43.8 | 43.91 | 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 267.69 million (31 December 2018: SR 96 million).

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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 in 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 30 September 2019 and 31 December 2018 and its total revenue, expenses and net profit before zakat and income tax expense for the nine-month periods ended 30 September 2019 and 2018 are as follows:

| | <u>Retail</u> | <u>Corporate</u> | <u>Head office</u> | <u>Total</u> |
|--|---------------|------------------|--------------------|--------------|
| <u>For the period ended 30 September 2019 (Unaudited)</u> | | | | |
| Revenue | 75,590 | 146,181 | -- | 221,771 |
| Expenses | 46,692 | 97,380 | -- | 144,072 |
| Net profit before zakat and income tax expense | 28,898 | 48,801 | -- | 77,699 |
| <u>For the period ended 30 September 2018 (Unaudited)</u> | | | | |
| Revenue | 61,191 | 134,486 | -- | 195,677 |
| Expenses | 40,883 | 83,116 | -- | 123,999 |
| Net profit before zakat and income tax expense | 20,308 | 51,370 | -- | 71,678 |
| <u>As at 30 September 2019 (Unaudited)</u> | | | | |
| Total assets | 923,742 | 2,195,058 | 65,550 | 3,184,350 |
| Total liabilities | 551,361 | 1,392,373 | 135,879 | 2,079,613 |
| <u>As at 31 December 2018 (Audited)</u> | | | | |
| Total assets (restated) | 990,895 | 2,227,236 | 45,405 | 3,263,536 |
| 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 28 Safar 1441H (corresponding to 27 October 2019).