

**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 2020
together with the
Independent Auditor's Review Report



KPMG Al Fozan & Partners
Certified Public Accountants
Riyadh Front, Airport 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

Licence No. 46/11/323 issued 11/3/1992

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 31 March 2020 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 31 March 2020;
- the condensed interim statement of profit or loss for the three-month period ended 31 March 2020;
- the condensed interim statement of comprehensive income for the three-month period ended 31 March 2020;
- the condensed interim statement of changes in equity for the three-month period ended 31 March 2020;
- the condensed interim statement of cash flows for the three-month period ended 31 March 2020; 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 31 March 2020 condensed interim financial statements of Amlak International for Real Estate Finance Company are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Fahad Mubark Al Dossari
License No: 469

Al Riyadh, 19 Ramadan 1441H
Corresponding to: 12 May 2020



AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 31 March 2020
(SR '000)

		31 March	31 December
		2020	2019
	<i>Notes</i>	(Unaudited)	(Audited)
<u>ASSETS</u>			
Cash and cash equivalents		18,382	7,876
Investments		11,622	11,922
Murabaha receivables, net	4	172,033	123,450
Ijara receivables, net	5	3,041,763	3,016,729
Ijara mawsofa fi athemmah receivables, net	6	66,075	57,449
Prepayments and other assets		132,298	127,647
Property and equipment, net		61,227	60,061
Positive fair value of derivatives		--	71
TOTAL ASSETS		<u>3,503,400</u>	<u>3,405,205</u>
<u>LIABILITIES AND EQUITY</u>			
Account payables and other accruals	7	139,028	147,829
Negative fair value of derivatives		10,792	3,621
Zakat and income tax payable	8	38,160	34,380
Borrowings	9	2,153,551	2,080,432
Employees' end of service benefits		14,344	13,666
TOTAL LIABILITIES		<u>2,355,875</u>	<u>2,279,928</u>
Share capital	10	906,000	906,000
Statutory reserve		68,416	68,416
Cash flow hedge reserve		(10,792)	(3,550)
Retained earnings		183,901	154,411
TOTAL EQUITY		<u>1,147,525</u>	<u>1,125,277</u>
TOTAL LIABILITIES AND EQUITY		<u>3,503,400</u>	<u>3,405,205</u>

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 period ended 31 March 2020
(SR '000)

		For the three-month period ended 31 March	
	<i>Notes</i>	<u>2020</u>	<u>2019</u> <i>(Restated)</i>
INCOME			
Income from Murabaha contracts		4,064	2,117
Income from Ijara contracts		66,866	62,545
Income from Ijara mawsofa fi athemmah contracts		1,925	1,292
(Loss) / gain on sale of portfolio		(504)	419
Fees and commission income		2,910	2,297
Total income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah		75,261	68,670
EXPENSES			
Finance cost	<i>12</i>	(13,427)	(24,140)
Fee expense		(632)	(572)
Net income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah		61,202	43,958
Other operating (loss) / income			
Other (loss) / income		(316)	343
		60,886	44,301
OPERATING EXPENSES			
Depreciation		(1,415)	(631)
General and administrative expenses	<i>14</i>	(18,311)	(16,840)
Selling and marketing expenses	<i>15</i>	(3,148)	(2,637)
Impairment charge for expected credit losses, net		(4,736)	(121)
Profit before zakat and income tax		33,276	24,072
Zakat and income tax expense:			
- Current period		(3,786)	(3,869)
- Prior period		--	(16,608)
NET PROFIT FOR THE PERIOD AFTER ZAKAT AND INCOME TAX		29,490	3,595
Basic and diluted earnings per share (SR)	<i>13</i>	0.33	0.04

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three-month period ended 31 March 2020
(SR '000)

	For the three-month period ended 31 March	
	2020	2019
NET PROFIT FOR THE PERIOD	29,490	3,595
OTHER COMPREHENSIVE LOSS		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Net movement in cash flow hedges	(7,242)	(168)
TOTAL COMPREHENSIVE INCOME	22,248	3,427

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the three-month period ended 31 March 2020
(SR '000)

<u>For the period ended 31 March 2020</u>	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Fair value reserve investment at FVOCI</u>	<u>Cash flow hedge reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2020	906,000	68,416	--	(3,550)	154,411	1,125,277
Net profit for the period	--	--	--	--	29,490	29,490
Other comprehensive loss	--	--	--	(7,242)	--	(7,242)
Balance at 31 March 2020	906,000	68,416	--	(10,792)	183,901	1,147,525

<u>For the period ended 31 March 2019</u>	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Fair value reserve 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 2)	--	--	--	--	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	--	--	409	--	(409)	--
Net profit for the period	--	--	--	--	3,595	3,595
Other comprehensive loss	--	--	--	(168)	--	(168)
Balance at 31 March 2019	906,000	61,415	--	919	162,003	1,130,337

AMLAQ INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
For the three-month period ended 31 March 2020
(SR '000)

	For the three-month period ended 31 March	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net profit for the period before zakat and income tax	33,276	24,072
<i>Non-cash adjustment to reconcile net profit before zakat and income tax for the period to net cash from operating activities</i>		
Depreciation	1,415	631
Borrowing facility cost and charges	21,209	24,140
Employees' end of service benefits	728	728
Impairment allowance for expected credit losses	4,736	121
Modification loss on murabaha receivables and ijara receivables	2,023	--
Modification gain on borrowings	(8,716)	--
Loss / (gain) on sale of portfolio	504	(419)
Other (loss) / income	316	(343)
	<u>55,491</u>	<u>48,930</u>
<i>Decrease / (increase) in operating assets</i>		
Murabaha receivables	(50,831)	16,891
Ijara receivables	(29,491)	32,744
Ijara mawsofa fi athemmah receivables	(8,680)	19,109
Prepayments and other assets	(4,651)	1,742
<i>Increase / (decrease) in operating liabilities</i>		
Account payables and other accruals	(8,395)	1,852
	<u>(46,557)</u>	<u>121,268</u>
Finance cost paid	(21,773)	(23,653)
Employees' end of service benefits paid	(50)	(277)
Zakat and income tax paid	(234)	(6,736)
Net cash (used in) / generated from operating activities	<u>(68,614)</u>	<u>90,602</u>
Cash flows from investing activities		
Purchase of property and equipment	(2,581)	(4,095)
Proceeds from investments in joint ventures	--	1,600
Net cash used in investing activities	<u>(2,581)</u>	<u>(2,495)</u>
Cash flows from financing activities		
Repayment against borrowings	(303,068)	(273,503)
Proceeds from borrowings	385,000	185,000
Payment of lease liabilities	(231)	--
Net cash generated from / (used in) financing activities	<u>81,701</u>	<u>(88,503)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		
	10,506	(396)
Cash and cash equivalents at beginning of the period	7,876	15,965
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>18,382</u>	<u>15,569</u>
Non-cash supplemental information:		
Net changes in fair value of cash flow hedge	(7,242)	(168)
Right of use asset	--	40,031
Lease liability	--	37,010

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 2020

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 part of the mortgage regulations, the Company is in the process of exiting from the investment related business.

As per the revised commercial registration certificate of the Company dated 11 Ramadan 1435H (corresponding to 8 July 2014), the objectives of the Company is to provide real estate finance as per Saudi Arabian Monetary Authority (“SAMA”) license dated 21 Safar 1435H (corresponding to 24 December 2013).

The registered office of the Company is located King Saud Road Riyadh, Kingdom of Saudi Arabia. A Corporate Office has been established in Jeddah by the Company in 2019. The Company has following branches:

<u>Branch Commercial Registration Number</u>	<u>Date of issuance</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.

The Company is in the process of listing its equity shares on Tadawul (Kingdom of Saudi Arabia Stock Exchange). In this respect, the Company has obtained Capital Market Authority (‘CMA’) approval for Initial Public Offering and the Company has six-month period ending in June 2020 for listing its shares.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements of the Company as at and for the period ended 31 March 2020 has 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 condensed interim financial statements of the Company as at and for the three-month period ended 31 March 2019, were prepared in compliance with the International Accounting Standard 34 “Interim Financial Reporting”, as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – “Income Taxes” and 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 18 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”).

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 2020
(SR'000)

2. BASIS OF PREPARATION (CONTINUED)

2.1 *Statement of compliance (continued)*

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 and the effects of this change are disclosed in note 2.4.

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. Further, employees' end of service benefits are measured at present value of future obligations using the Projected Unit Credit Method.

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.

2.4 *Change in the accounting for zakat and income tax:*

As mentioned in note 2.1, the basis of preparation has been changed for the three-month period ended 31 March 2020 as a result of the issuance of latest instructions from SAMA dated 18 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 18 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 and the effects of the above change are disclosed in this note. The change has resulted in reduction of reported income of the Company for the period ended 31 March 2019 by SR 20.48 million. The change has had no impact on the statement of cash flows for the three-month period ended 31 March 2019. Below are the accounting policies on zakat and income tax:

Income tax:

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 applicable in the Kingdom of Saudi Arabia, 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 Kingdom of Saudi Arabia. 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

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 2020
(SR'000)

2. BASIS OF PREPARATION (CONTINUED)

2.4 Change in the accounting for zakat and income tax (continued):

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.

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 has the following impact on the line items of the statement of financial position, statements of income and statement of changes in equity:

For the three-month period ended 31 March 2019 (Unaudited):

Financial statement impacted	Account	Before restatement	Effect of restatement	As restated
Statement of changes in equity	Provision for zakat and income tax (retained earnings)	(20,477)	20,477	--
Statement of profit or loss	Zakat and income tax expense	--	(20,477)	20,477

As at 31 December 2018 (Audited):

Financial statement impacted	Account	Before restatement	Effect of restatement	As restated
Statement of financial position	Deferred tax asset	--	516	516
Statement of financial position	Retained earnings	158,301	516	158,817

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 2020
(SR'000)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2019, except for the accounting policies in note 2.4.

4. MURABAHA RECEIVABLES, NET

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Gross Murabaha receivables	174,372	125,419
Less: Impairment allowance for expected credit losses	<u>(2,339)</u>	<u>(1,969)</u>
Murabaha receivables, net	<u>172,033</u>	<u>123,450</u>

5. IJARA RECEIVABLES, NET

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Gross Ijara receivables	4,239,435	4,204,624
Less: Unearned income	<u>(1,107,960)</u>	<u>(1,102,495)</u>
	3,131,475	3,102,129
Less: Impairment allowance for expected credit losses	<u>(89,712)</u>	<u>(85,400)</u>
Ijara receivables, net	<u>3,041,763</u>	<u>3,016,729</u>

5.1 The maturity profile of Ijara receivables as at 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020 (Unaudited)			
		Later than one year but not later than five years	Later than five years	Total
	Not later than one year	Not later than five years	Not later than five years	Total
Ijara receivables	956,537	2,045,371	1,237,527	4,239,435
Less: Unearned income	<u>(241,371)</u>	<u>(567,609)</u>	<u>(298,980)</u>	<u>(1,107,960)</u>
	717,043	1,477,762	938,547	3,131,475
Less: Impairment allowance for expected credit losses				<u>(89,712)</u>
Ijara receivables, net				<u>3,041,763</u>

	31 December 2019 (Audited)			
		Later than one year but not later than five years	Later than five years	Total
	Not later than one year	Not later than five years	Not later than five years	Total
Ijara receivables	901,098	2,140,538	1,162,988	4,204,624
Less: Unearned income	<u>(245,512)</u>	<u>(568,681)</u>	<u>(288,302)</u>	<u>(1,102,495)</u>
	655,586	1,571,857	874,686	3,102,129
Less: Impairment allowance for expected credit losses				<u>(85,400)</u>
Ijara receivables, net				<u>3,016,729</u>

AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month period ended 31 March 2020
(SR '000)

6. IJARA MAWSOFA FI ATHEMMAH RECEIVABLES, NET

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Gross Ijara mawsofa fi athemmah receivables	112,514	128,100
Less: Unearned income	(44,097)	(68,363)
	68,417	59,737
Less: Impairment allowance for expected credit losses	(2,342)	(2,288)
Ijara mawsofa fi athemmah receivables, net	66,075	57,449

6.1 The maturity profile of Ijara mawsofa fi athemmah receivables as at 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020 (Unaudited)			
		Later than Not later than one year	one year but not later than five years	Later than five years
		<u>one year</u>	<u>five years</u>	<u>five years</u>
Ijara mawsofa fi athemmah receivables	7,281	25,625	79,608	112,514
Less: Unearned income	(2,723)	(10,177)	(31,197)	(44,097)
	4,558	15,448	48,411	68,417
Less: Impairment allowance for expected credit losses				(2,342)
Ijara mawsofa fi athemmah receivables, net				66,075

	31 December 2019 (Audited)			
		Not later than one year	Later than one year but not later than five years	Later than five years
		<u>one year</u>	<u>five years</u>	<u>five years</u>
Ijara mawsofa fi athemmah receivables	10,387	35,902	81,811	128,100
Less: Unearned income	(6,763)	(23,310)	(38,290)	(68,363)
	3,624	12,592	43,521	59,737
Less: Impairment allowance for expected credit losses				(2,288)
Ijara mawsofa fi athemmah receivables, net				57,449

7. ACCOUNT PAYABLES AND OTHER ACCRUALS

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Financing to customers (note 7.1)	44,851	37,697
Payable to the Ministry of Housing (note 7.2)	33,605	33,357
Lease liabilities	22,222	21,984
Salaries and employee related expenses	8,808	15,823
Amount received from Murabaha and Ijara customers (note 7.3)	7,659	7,351
Accrued expenses	5,007	9,701
Others	16,876	21,916
	139,028	147,829

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 2020
(SR '000)

7. ACCOUNT PAYABLES AND OTHER ACCRUALS (CONTINUED)

- 7.1** Financing to customers arises when the financing arrangement is agreed with a customer, but the amount is not disbursed due to normal delay in the transfer of property.
- 7.2** This pertains to property purchase for customers in a scheme introduced by the Ministry of Housing.
- 7.3** This majorly represents down payment received from the customers, which is not paid to the seller of the property.

8. ZAKAT AND INCOME TAX

a) The movement in zakat and income tax is as follow:

	31 March 2020 (Unaudited)		
	Zakat	Income tax	Total
Balance at the beginning of the period	34,180	200	34,380
Charge for current period	3,786	--	3,786
Unwinding of discount	228	--	228
Payments made during the period	(234)	--	(234)
Balance as at end of the period	37,960	200	38,160
	31 December 2019 (Audited)		
	Zakat	Income tax	Total
Balance at the beginning of the year	36,147	643	36,790
Charge for the year:			
- current year	14,857	68	14,925
- prior years	16,367	241	16,608
	31,224	309	31,533
Unwinding of discount	839	--	839
Payments made during the year	(34,030)	(752)	(34,782)
Balance as at end of the year	34,180	200	34,380

b) Zakat and income tax assessment status

Zakat and income tax declaration for all the years up to 2018 have been filed with the GAZT and acknowledgement certificates have been obtained.

During the period ended 31 March 2020, there has been no change in the status of the Company's zakat and income tax assessments from the status disclosed in the annual financial statements of the Company for the year ended 31 December 2019.

9. BORROWINGS

These represent amounts borrowed from local commercial banks and Saudi Real Estate Re-finance Company ("SRC") under Islamic borrowings approved by the Sharia Committee. These facilities carry borrowing costs at profit rates ranging from 3 months to 3 years Saudi Inter Bank Offer rates ("SIBOR") plus spread, have maturity periods ranging from 1 month to 5 years and are secured by the assignment of proceeds from instalment receivables. Under the terms of the financing arrangements, the Company adhered to certain covenants during the three-month period ended 31 March 2020.

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 2020
(SR '000)

10. SHARE CAPITAL

As at 31 March 2020, the Company's authorised, issued and paid-up share capital was SR 906 million (31 December 2019: SR 906 million) divided into 90.6 million shares (31 December 2019: 90.6 million shares) with a nominal value of SR 10 each.

11. INCOME FROM IJARA CONTRACTS and MURABAHA CONTRACTS

Income from Ijara contracts and murabaha contracts includes modification loss amounting to SR 1.88 million (31 March 2019: nil) and SR 0.15 million respectively, due to the deferment of instalments related to receivables from Micro Small and Medium Enterprises ("MSME") as per SAMA's Private Sector Financing Support Program ('PSFSP').

12. FINANCE COST

This includes a modification gain amounting to SR 8.72 million (31 March 2019: nil) due to the deferment of instalments related to borrowings as per SAMA's PSFSP.

13. EARNINGS PER SHARE

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

	For the three-month period ended 31 March	
	2020	2019
	(Unaudited)	
Profit for the period	29,490	3,595
Weighted average number of ordinary shares (in thousands)	90,600	90,600
Basic and diluted earnings per share (SR)	0.33	0.04

14. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three-month period ended 31 March	
	2020	2019
	(Unaudited)	
Salaries and employees related cost	13,713	12,734
Information technology expenses	638	616
Board fee and expenses	1,250	1,179
Professional fee	741	682
Travelling expenses	211	251
Communication	194	139
Maintenance expenses	126	112
Rent	76	69
Others	1,362	1,058
	18,311	16,840

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 2020
(SR '000)

15. SELLING AND MARKETING EXPENSES

	For the three-month period ended 31 March	
	<u>2020</u>	<u>2019</u>
	(Unaudited)	
Salaries and outsourcing costs	1,862	1,354
Marketing expenses	850	834
Insurance	436	449
	3,148	2,637

16. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include the shareholders and their affiliated entities, Subsidiary and key management personnel. In the ordinary course of its activities, the Company transacts business with its related parties on mutually agreed terms. Key management personnel represent the members of the Board and its committees, Chief Executive Officer and his direct reports.

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

Nature of transaction	Name of related party and relationship	For the three-month period ended 31 March	
		(Unaudited)	
		<u>2020</u>	<u>2019</u>
Borrowing cost	The Saudi Investment Bank (shareholder)	5,920	6,087
Rent expense	Saudi Orix Leasing (affiliate)	132	398
Security and other expenses	Saudi Orix Leasing (affiliate)	10	22
Salaries and benefits	Key management personnel	5,315	4,740
Board meeting fees and other expenses	Board members	1,250	1,179
Payment on behalf of shareholders	Shareholders	1,754	372

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 2020
(SR '000)

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

<u>Nature of balances and names of related parties</u>	<u>Relationship</u>	<u>Balances</u>	
		31 March 2020 (Unaudited)	31 December 2019 (Audited)
Bank balances:			
The Saudi Investment Bank	Shareholder	16,328	7,340
Due from related parties:			
Alistithmar Capital	Joint venture	1,775	1,775
Dar Wa Emar – Rahba	Joint venture	1,776	2,923
Tharaa Real Estate Investment	Affiliate	--	878
Bank borrowings:			
The Saudi Investment Bank	Shareholder	485,237	615,821
Notional amount of Profit Rate Swaps:			
The Saudi Investment Bank	Shareholder	--	50,000
Financing and advances:			
Key management personnel	Key management	3,607	3,731
Investment at FVOCI:			
SAIB Saraya Tower Real Estate Development Fund	Affiliate	10,729	11,029
Other receivables:			
Amlak International For Real Estate Development	Subsidiary	305	305
Receivable against initial public offering	Shareholders	6,403	4,649
Board meeting and other expenses payable			
Board members	Board members	1,506	3,739
Other Payable:			
Amlak International For Real Estate Development	Subsidiary	305	305

17. 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 assets, financial liabilities and derivatives.

Financial assets consist of cash and cash equivalents, investments, derivatives, Murabaha, Ijara, Ijara Mawsofa Fi Athemmah receivable and other receivables. Financial liabilities consist of borrowings, payables and derivatives.

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 2020
(SR '000)

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

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

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

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

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

31 March 2020 (Unaudited)	<i>Carrying Value</i>	<i>Fair Value</i>			<i>Total</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
<i>Financial assets:</i>					
Murabaha receivables, net	172,033	--	--	173,754	173,754
Ijara receivables, net	3,041,763	--	--	3,184,801	3,184,801
Ijara mawsofa fi athemmah receivables, net	66,086	--	--	67,884	67,884
Investments	11,622	--	--	11,622	11,622
<i>Financial liabilities:</i>					
Negative fair value of derivatives	10,792	--	--	10,792	10,792

31 December 2019 (Audited)	<i>Carrying Value</i>	<i>Fair Value</i>			<i>Total</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
<i>Financial assets:</i>					
Murabaha receivables, net	123,450	--	--	123,748	123,748
Ijara receivables, net	3,016,729	--	--	3,045,905	3,045,905
Ijara mawsofa fi athemmah receivables, net	57,449	--	--	63,692	63,692
Investments	11,922	--	--	11,922	11,922
Positive fair value of derivatives	71	--	--	71	71
<i>Financial liabilities:</i>					
Negative fair value of derivatives	3,621	--	--	3,621	3,621

The valuation of fixed rate Murabaha receivables, Ijara receivables and Ijara Mowsofa Fi Athemmah receivables are estimated using contractual cash flows discounted at latest yield, which is the contracted profit rate for recent transactions. Input into the discounted cash flow techniques includes recent yields and contractual cash flows.

Management assessed that the carrying amount of other financial instruments largely approximate fair value due to either short-term maturities or re-pricing of the special commission on those instruments and these financial instruments are classified as level 3.

There have been no transfers to and from any levels during the period.

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 2020
(SR '000)

18. 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 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 2020		31 December 2019	
	(Unaudited)		(Audited)	
	<u><i>Total capital</i></u>	<u><i>Tier I capital</i></u>	<u><i>Total capital</i></u>	<u><i>Tier I capital</i></u>
	<u><i>ratio %</i></u>	<u><i>ratio %</i></u>	<u><i>ratio %</i></u>	<u><i>ratio %</i></u>
Capital adequacy ratio	44.13	44.27	43.16	43.30

19. COMMITMENTS AND CONTINGENCIES

Financing facilities approved but not utilised:

The Company has facilities approved but not utilised, indicative offers issued which are under consideration of the customers as of the reporting date which have the potential to convert into financing amounting to SR 280 million (31 December 2019: SR 218 million).

VAT assessments:

In 2019, the GAZT issued an assessment on VAT returns for the period from January 2018 to January 2019 and claimed an amount of SR 19.9 million. The Company paid SR 9.2 million in respect of VAT variances and issued a bank guarantee in respect of the remaining amount. The Company has filed an appeal clarifying its position on the assessment received from GAZT.

During the period, GAZT partially accepted the Company's appeal and revised its assessment by reducing their claim to SR 14.69 million including penalties. The Company has filed appeal in General Secretary of Tax Committee (GSTC) against the revised claim and the Company believes it is unlikely that the above position of GAZT will be upheld; however, the Company recorded SR 6.07 million to cover the expected and potential claims as its best estimate of additional VAT liability.

20. SEGMENT INFORMATION

The Company's objective is to provide financing for real estate leases in the Kingdom of Saudi Arabia. All assets, liabilities and operations as reflected in the 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 small and medium sized businesses and individuals.

Corporate

These represents financing products granted to corporate, high net worth individuals and institutional customers.

Head office

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

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 2020
(SR '000)

20 SEGMENT INFORMATION (CONTINUED)

The Company's total assets and liabilities at 31 March 2020 and 31 December 2019 and its total operating income, expenses and net profit for the three-month period ended 31 March 2020 and 2019 are as follows:

	<u>Retail</u>	<u>Corporate</u>	<u>Head office</u>	<u>Total</u>
For the period ended 31 March 2020				
(Unaudited)				
Income	21,046	53,267	--	74,313
Expenses	15,339	25,698	--	41,037
Segment profit	5,707	27,569	--	33,276
For the period ended 31 March 2019				
(Unaudited)				
Income	22,111	46,330	--	68,441
Expenses	14,331	30,038	--	44,369
Segment profit	7,780	16,292	--	24,072
As at 31 March 2020 (Unaudited)				
Total assets	1,032,414	2,391,377	79,609	3,503,400
Total liabilities	634,635	1,571,426	149,814	2,355,875
As at 31 December 2019 (Audited)				
Total assets	1,014,165	2,323,031	68,009	3,405,205
Total liabilities	652,968	1,505,869	121,091	2,279,928

Below is the reconciliation of revenue and expenses from condensed interim financial statements to operating segment note:

	For the three-month	
	period ended 31 March	
	<u>2020</u>	<u>2019</u>
	(Unaudited)	(Unaudited)
<u>Income</u>		
Total income from Murabaha, Ijara and Ijara Mawsofa Fi Athemmah receivables	75,261	68,670
Fee expenses	(632)	(572)
Other (loss) / income	(316)	343
Total income – as per operating segment note.	74,313	68,441
<u>Expenses</u>		
Borrowing costs	(13,427)	(24,140)
Depreciation	(1,415)	(631)
General and administrative expenses	(18,311)	(16,840)
Selling and marketing expenses	(3,148)	(2,637)
Impairment charge for expected credit losses, net	(4,736)	(121)
Total expense – as per operating segment note.	(41,037)	(44,369)

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 2020
(SR '000)

21. IMPACT OF COVID-19 ON THE COMPANY'S OPERATIONS AND THE CONDENSED INTERIM FINANCIAL STATEMENTS

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The Company has evaluated the current situation through conducting stress testing scenarios on expected movements of oil prices and its impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the potential business disruption due to COVID-19 outbreak that may have on its operations and financial performance. These also take into consideration the impacts of government and SAMA support relief programmes.

These current events and the prevailing economic condition require the Company to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These would primarily revolve around revisions to the scenario probabilities currently being used by the Company in ECL estimation. The adjustments to scenario weightings resulted in an additional ECL of SR 0.6 million for the Company. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgemental and the Company will continue to reassess its position and the related impact on a regular basis.

The Company has also recognised overlays of SR 1.2 million for its corporate and retail financing. These have been based on a sector-based analysis performed by the Company in cognisance of the impacted portfolios. The Company will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

SAMA support programs and initiatives

In response to COVID-19, SAMA launched the PSFSP in March 2020 to provide the necessary support to the MSME as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program; and
- Funding for lending program.

As part of the deferred payments program, the Company is required to defer payments for six months on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. The Company has effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September 2020 for a period of six months without increasing the facility tenure of the applicable financing facilities granted with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This has resulted in the Company recognising a modification loss on Ijara receivables and murabaha receivables amounting to SR 1.88 million and SR 0.15 million respectively, as at 31 March 2020 and this has been presented as part of income, refer to note 11 for further details. In the absence of other factors, participation in the PSFSP is not considered a significant increase in credit risk.

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 2020
(SR '000)

21. IMPACT OF COVID-19 ON THE COMPANY'S OPERATIONS AND THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Furthermore, in accordance with the PSFSP, the Company is also eligible for the deferral of its loan instalment payment to the banks and Saudi Real Estate Re-financing Company. Similarly, the Company recognised a modification gain of SR 8.72 million as at 31 March 2020 and this has been presented as part of financial cost, refer to note 12 for further details.

As at 31 March 2020, the Company is yet to participate in SAMA's funding for lending program.

22. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements have been approved by the Board of Directors on 18 Ramadan 1441H (corresponding to 11 May 2020).