

**Amlak International for Real Estate
Finance Company**
(A Saudi Closed Joint Stock Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S LIMITED REVIEW
REPORT**

**FOR THE THREE MONTH PERIOD ENDED
31 MARCH 2017**

**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS
TO THE SHAREHOLDERS OF AMLAK INTERNATIONAL FOR REAL ESTATE FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

Introduction:

We have reviewed the accompanying interim statement of financial position of Amlak International for Real Estate Finance Company - A Closed Joint Stock Company (the "Company") as at 31 March 2017 and the related interim statements of profit or loss, other comprehensive income, changes in shareholders' equity and cash flows for the three month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" and Saudi Arabian Monetary Authority ("SAMA") guidance on accounting for zakat and tax. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" and SAMA guidance on accounting for zakat and tax.

For Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354



Riyadh: 27 Sha'aban 1438H
(23 May 2017)

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF PROFIT OR LOSS - UNAUDITED

For the three month period ended 31 March 2017

	<i>Notes</i>	31 March 2017 (SR '000)	<i>31 March 2016</i> <i>(SR '000)</i> <i>(Restated)</i>
INCOME			
Income from Ijara contracts		54,820	49,314
Income from Murabaha contracts		9,239	9,552
Income from Ijara mawsofa fi athemmah contracts		2,051	1,440
Processing and appraisal fees, net		525	285
		<hr/>	<hr/>
INCOME FROM IJARA, MURABAHA AND IJARA MAWSOFA FI ATHEMMAH		66,635	60,591
Borrowing facility cost and charges		(23,119)	(15,438)
		<hr/>	<hr/>
NET INCOME FROM IJARA, MURABAHA AND IJARA MAWSOFA FI ATHEMMAH		43,516	45,153
<i>Other operating income</i>			
Share in net income from joint ventures	9	1,400	750
Arrangement fees		250	120
		<hr/>	<hr/>
		45,166	46,023
<i>Operating expenses</i>			
General and administrative expenses	4	(16,683)	(16,265)
Selling and marketing expenses	5	(2,560)	(2,408)
Provision for credit losses		(4,477)	(2,533)
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		21,446	24,817
		<hr/>	<hr/>
Basic and diluted earnings per share (SR)	15	0.24	0.28
		<hr/>	<hr/>

The attached notes 1 to 21 form part of these interim condensed financial statements

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME - UNAUDITED

For the three month period ended 31 March 2017

	31 March 2017 (SR '000)	31 March 2016 (SR '000) (Restated)
PROFIT FOR THE PERIOD	21,446	24,817
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>		
Net movement in cash flow hedges	(1,037)	(69)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Re-measurement losses on employee terminal benefit	-	-
Total other comprehensive loss	(1,037)	(69)
TOTAL COMPREHENSIVE INCOME	20,409	24,748

The attached notes 1 to 21 form part of these interim condensed financial statements

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

		31 March 2017 (Unaudited) (SR '000)	31 December 2016 (Audited) (SR '000) (Restated)	31 March 2016 (Unaudited) (SR '000) (Restated)
	Notes			
ASSETS				
Bank balances and cash		5,669	9,347	9,525
Murabaha receivables, net	6	367,651	420,704	433,979
Ijara receivables, net	7	2,542,336	2,489,780	2,380,446
Ijara mawsofa fi athemmah receivables, net	8	118,028	119,725	110,771
Available for sale investment		10,988	10,988	11,312
Positive fair value derivatives		1,898	2,582	3,403
Prepayments, accrued income and others		93,654	94,385	93,402
Investment in joint ventures	9	98,604	112,824	117,094
Property and equipment		28,780	29,182	28,136
TOTAL ASSETS		3,267,608	3,289,517	3,188,068
LIABILITIES AND SHAREHOLDERS' EQUITY				
EQUITY				
Accounts payable and accruals	10	66,288	50,859	56,800
Negative fair value derivatives		1,099	746	37
Zakat and income tax payable	11	4,894	4,003	4,660
Bank borrowings	12	2,033,085	2,091,803	1,999,316
Employees' terminal benefits		9,452	8,834	7,014
TOTAL LIABILITIES		2,114,818	2,156,245	2,067,827
SHAREHOLDERS' EQUITY				
Share capital	14	900,000	900,000	900,000
Statutory reserve		43,474	41,329	33,153
Investment revaluation reserve		(1,012)	(1,012)	(688)
Cash flow hedge reserve		799	1,836	2,381
Retained earnings		209,529	191,119	185,395
TOTAL SHAREHOLDERS' EQUITY		1,152,790	1,133,272	1,120,241
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,267,608	3,289,517	3,188,068

The attached notes 1 to 21 form part of these interim condensed financial statements

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three month period ended 31 March 2017

	<i>Share Capital</i> (SR '000)	<i>Statutory reserve</i> (SR '000)	<i>Investment revaluation reserve</i> (SR '000)	<i>Cash flow hedge reserve</i> (SR '000)	<i>Retained earnings</i> (SR '000)	<i>Total</i> (SR '000)
Balance at 31 December 2015 – as previously reported (audited)	900,000	30,754	(688)	2,450	165,363	1,097,879
Effect of restatement (note 20)	-	-	-	-	(1,503)	(1,503)
Balance at 31 December 2015 – restated	900,000	30,754	(688)	2,450	163,860	1,096,376
Net profit for the period as reported in 31 March 2016 interim financial statements (note 20)	-	-	-	-	23,988	23,988
Effect of restatement (note 20)	-	-	-	-	829	829
Restated profit for the period	-	-	-	-	24,817	24,817
Other comprehensive loss	-	-	-	(69)	-	(69)
Total comprehensive income	-	-	-	(69)	24,817	24,748
Zakat for the period (note 20)	-	-	-	-	(702)	(702)
Income tax for the period (note 20)	-	-	-	-	(181)	(181)
Transfer to statutory reserve	-	2,399	-	-	(2,399)	-
Balance at 31 March 2016 (unaudited and restated)	900,000	33,153	(688)	2,381	185,395	1,120,241
Balance at 31 December 2016 – as previously reported (audited)	900,000	41,329	(1,012)	1,836	193,035	1,135,188
Effect of restatement (note 20)	-	-	-	-	(1,916)	(1,916)
Balance at 31 December 2016 – restated	900,000	41,329	(1,012)	1,836	191,119	1,133,272
Profit for the period	-	-	-	-	21,446	21,446
Other comprehensive income	-	-	-	(1,037)	-	(1,037)
Total comprehensive income	-	-	-	(1,037)	21,446	20,409
Zakat for the period (note 20)	-	-	-	-	(706)	(706)
Income tax for the period (note 20)	-	-	-	-	(185)	(185)
Transfer to statutory reserve	-	2,145	-	-	(2,145)	-
Balance at 31 March 2017 (unaudited)	900,000	43,474	(1,012)	799	209,529	1,152,790

The attached notes 1 to 21 form part of these interim condensed financial statements

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continued)
For the three month period ended 31 March 2017

<i>Analysis of retained earnings</i>	<i>Saudi and GCC shareholders (SR '000)</i>	<i>Non-Saudi and Non-GCC shareholders (SR '000)</i>	<i>Total (SR '000)</i>
Balance at 31 December 2015 – as previously reported (audited)	160,038	5,325	165,363
Effect of restatement (note 20)	(1,455)	(48)	(1,503)
Balance at 31 December 2015 – restated	158,583	5,277	163,860
Net profit for the period as reported in 31 March 2016 interim financial statements (note 20)	23,216	772	23,988
Effect of restatement (note 20)	802	27	829
Restated profit for the period	24,018	799	24,817
Other comprehensive loss	-	-	-
Total comprehensive income	24,018	799	24,817
Zakat for the period (note 20)	(702)	-	(702)
Income tax for the period (note 20)	-	(181)	(181)
Transfer to statutory reserve	(2,322)	(77)	(2,399)
	<u>179,577</u>	<u>5,818</u>	<u>185,395</u>
Balance at 31 December 2016 – as previously reported (audited)	186,819	6,216	193,035
Effect of restatement (note 20)	(1,854)	(62)	(1,916)
Balance at 31 December 2016 – restated	184,965	6,154	191,119
Profit for the period	20,755	691	21,446
Other comprehensive income	-	-	-
Total comprehensive income	20,755	691	21,446
Zakat for the period (note 20)	(706)	-	(706)
Income tax for the period (note 20)	-	(185)	(185)
Transfer to statutory reserve	(2,076)	(69)	(2,145)
Balance at 31 March 2017 (unaudited)	<u>202,938</u>	<u>6,591</u>	<u>209,529</u>

The attached notes 1 to 21 form part of these interim condensed financial statements

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS – UNAUDITED

For the three month period ended 31 March 2017

	31 March 2017 (SR '000)	31 March 2016 (SR '000) (Restated)
OPERATING ACTIVITIES		
Profit for the period	21,446	24,817
<i>Non-cash adjustment to reconcile profit for the period to net cash flows:</i>		
Depreciation	486	245
Borrowing facility cost and charges	23,119	15,438
Employees' terminal benefits, net	618	260
Provision for credit losses	4,477	2,533
Share of net income from joint ventures	(1,400)	(750)
<i>Operating cash flows before working capital changes</i>	48,746	42,543
<i>Working capital adjustments:</i>		
Murabaha receivables	53,634	(26,662)
Ijara receivables	(57,580)	(128,579)
Ijara mawsofa fi athemmah receivables	1,663	(1,722)
Prepayments, accrued income and others	731	1,371
Accounts payable and accruals	15,958	(11,014)
Cash from (used in) operation	63,152	(124,063)
Borrowing facility cost and charges paid	(23,648)	(14,985)
Zakat and income tax paid	-	(21)
Net cash from (used in) operating activities	39,504	(139,068)
INVESTING ACTIVITIES		
Purchase of property and equipment	(84)	(1,233)
Proceeds from investments in joint ventures	20,705	1,077
Investments in joint ventures	(5,085)	(6,224)
Net cash from (used in) investing activities	15,536	(6,380)
FINANCING ACTIVITY		
Proceeds from bank borrowings, net	(58,718)	144,627
Net cash (used in) from financing activity	(58,718)	144,627
DECREASE IN BANK BALANCES AND CASH	(3,678)	(821)
Bank balances and cash at beginning of the period	9,347	10,346
BANK BALANCES AND CASH AT END OF THE PERIOD	5,669	9,525

Amlak International for Real Estate Finance Company (A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – UNAUDITED

For the three month period ended 31 March 2017

1 ACTIVITIES

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

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

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

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

2 BASIS OF PREPARATION

During 2017, SAMA issued a Circular no. 381000074519 dated 11 April 2017 relating to the accounting for zakat and tax and subsequent amendments to the Circular were made by SAMA through certain clarifications. The impact of the above on the Company is as follows:

- Zakat and tax are to be recognized in consolidated statement of shareholders’ equity with a corresponding liability recognized in the consolidated statement of financial position on a quarterly basis.

Applying the above framework, the interim condensed financial statements of the Company as at and for the quarter ended 31 March 2017 have been prepared using the [IAS 34] and SAMA guidance for the accounting of zakat and tax.

Until 2016, the financial statements of the Company were prepared in accordance with IFRS. This change in framework resulted in a change in accounting policy for zakat and income tax (as disclosed in note 3) and the effects of this change are disclosed in note 20 to the interim condensed financial statements.

These interim condensed financial statements have been presented in Saudi Riyals, as it is the functional currency of the Company and are rounded off to the nearest thousands.

Assets and liabilities in the interim statement of financial position are presented in the order of liquidity.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company’s annual financial statements for the year ended 31 December 2016, except for:

a) Change in the accounting policy in relation to accounting for Zakat and income tax

The Company amended its accounting policy relating to zakat and income tax and have started to accrue zakat on a quarterly basis and charging it to retained earnings. Previously, zakat and income tax was deducted from interim statement of comprehensive income and was recognized as a liability at that time. The Company has accounted for this change in the accounting policy relating to zakat retrospectively and the effects of the above change are disclosed in note 20 to the interim condensed financial statements.

b) Amendment to an existing standard

Adoption of amendment to an existing standard mentioned below which have had no significant financial impact on the interim condensed financial statements of the Company on the current or prior period and is expected to have no significant effect in future periods:

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS – UNAUDITED

For the three month period ended 31 March 2017

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendment to IAS 7, Statement of cash flows on disclosure initiative: Applicable for annual periods beginning on or after 1 January 2017

This amendment introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. This amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

4 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>31 March 2017</i> (SR '000)	<i>31 March 2016</i> (SR '000)
Salaries and employee related cost	11,782	11,376
Professional fee	1,051	1,214
Information Technology expenses	943	926
Board fee and expenses	812	787
Rent	618	704
Depreciation	486	245
Travelling expenses	183	154
Communication	161	149
Maintenance expenses	99	136
Others	548	574
	16,683	16,265

5 SELLING AND MARKETING EXPENSES

	<i>31 March 2017</i> (SR '000)	<i>31 March 2016</i> (SR '000)
Outsourcing costs	1,163	759
Marketing expenses	859	1,006
Insurance	538	643
	2,560	2,408

6 MURABAHA RECEIVABLES, NET

	<i>31 March</i> <i>2017</i> (Unaudited) (SR '000)	<i>31 December</i> <i>2016</i> (Audited) (SR '000)	<i>31 March</i> <i>2016</i> (Unaudited) (SR '000)
Gross Murabaha sale contracts receivables	432,942	501,619	516,243
Less: Unearned income	(58,505)	(73,548)	(76,094)
	374,437	428,071	440,149
Less: Provision for Murabaha receivable credit losses	(6,786)	(7,367)	(6,170)
Murabaha receivables, net	367,651	420,704	433,979

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – UNAUDITED

For the three month period ended 31 March 2017

7 IJARA RECEIVABLES, NET

	<i>31 March 2017 (Unaudited) (SR '000)</i>	<i>31 December 2016 (Audited) (SR '000)</i>	<i>31 March 2016 (Unaudited) (SR '000)</i>
Gross Ijara contract receivables	3,394,431	3,282,478	3,101,977
Less: Unearned income	(807,366)	(752,993)	(687,208)
	2,587,065	2,529,485	2,414,769
Less: Provision for Ijara receivable credit losses	(44,729)	(39,705)	(34,323)
Ijara receivables, net	2,542,336	2,489,780	2,380,446

8 IJARA MAWSOFA FI ATHEMMAH RECEIVABLES, NET

	<i>31 March 2017 (Unaudited) (SR '000)</i>	<i>31 December 2016 (Audited) (SR '000)</i>	<i>31 March 2016 (Unaudited) (SR '000)</i>
Gross Ijara mawsofa fi athemmah contract receivables	195,635	200,681	186,384
Less: Unearned income	(75,688)	(79,071)	(74,040)
	119,947	121,610	112,344
Less: Provision for Ijara mawsofa fi athemmah receivable credit losses	(1,919)	(1,885)	(1,573)
Ijara mawsofa fi athemmah receivables, net	118,028	119,725	110,771

9 INVESTMENTS IN JOINT VENTURES

The Company does not consolidate the results of the joint ventures (JVs) as it shares control and equal representation on the Board with the co-venturers. No new investments in excess of original commitments have been made by the Company after 7 November 2014 to comply with the real estate financing laws. The existing portfolio will remain in the Company till maturity and disbursements for commitments in investments for ongoing operations will continue to be booked by the Company.

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

Amlak International for Real Estate Finance Company
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS – UNAUDITED

For the three month period ended 31 March 2017

9 INVESTMENTS IN JOINT VENTURES (continued)

Movement in investment in Joint Ventures during the period is as follows:

	<i>Location</i>	<i>% of shareholding</i>	<i>Opening balance</i>	<i>Additions</i>	<i>Share in net income (loss)/ gain on sale of investments</i>	<i>Withdrawals</i>	<i>Closing balance</i>
			(SR '000)	(SR '000)	(SR '000)	(SR '000)	(SR '000)
<i>Movement for 31 March 2017</i>							
a) Dar wa Emar, Olaya	AlOlaya, AlKhobar	50%	39,725	3,859	-	-	43,584
b) Dar wa Emar, Rahba	AlRahba, AlKhobar	90%	17,488	-	200	(961)	16,727
c) AbdulAziz Al Qassim, Malga III	Malga, Riyadh	40%	27,482	-	700	(4,120)	24,062
d) Tharaa Real Estate Investment	AlMarooj, AlKhobar	50%	8,595	1,226	-	-	9,821
e) Al Masharia Al Oula	Al Yasim District, Riyadh	60%	14,125	-	500	(13,500)	1,125
f) Saudi Kyan III	AlNawras, AlKhobar	60%	5,409	-	-	(2,124)	3,285
			112,824	5,085	1,400	(20,705)	98,604
<i>Movement for 31 December 2016</i>							
a) Dar wa Emar, Olaya	AlOlaya, AlKhobar	50%	16,068	35,511	1,840	(13,694)	39,725
b) Dar wa Emar, Rahba	AlRahba, AlKhobar	90%	28,364	-	1,800	(12,676)	17,488
c) Teraz Arabia	Erga, Riyadh	70%	15,926	-	4,549	(20,475)	-
d) AbdulAziz Al Qassim, Malga III	Malga, Riyadh	40%	22,949	4,533	-	-	27,482
e) Albani Development Company	Al Yasim District, Riyadh	50%	3,254	-	(201)	(3,053)	-
f) Saudi Kayan II	AlNawras, AlKhobar	60%	4,110	579	137	(4,826)	-
g) Tharaa Real Estate Investment	AlMarooj, AlKhobar	50%	3,640	8,063	1,977	(5,085)	8,595
h) Abdul Aziz Al Qassim, Al-Aqeeq	AlAqeeq, Riyadh	60%	1,784	600	963	(3,347)	-
i) Al Masharia Al Oula	Al Yasim District, Riyadh	60%	10,443	2,700	982	-	14,125
j) Saudi Kyan III	AlNawras, AlKhobar	60%	4,659	-	750	-	5,409
			111,197	51,986	12,797	(63,156)	112,824

Amlak International for Real Estate Finance Company
(A Saudi Closed Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS – UNAUDITED

For the three month period ended 31 March 2017

9 INVESTMENTS IN JOINT VENTURES (continued)

<i>Movement for 31 March 2016</i>	<i>Location</i>	<i>% of shareholding</i>	<i>Opening balance</i>	<i>Additions</i>	<i>Share in net income (loss)/ gain on sale of investments</i>	<i>Withdrawals</i>	<i>Closing balance</i>
			<i>(SR '000)</i>	<i>(SR '000)</i>	<i>(SR '000)</i>	<i>(SR '000)</i>	<i>(SR '000)</i>
a) Dar wa Emar, Rahba	AlRahba, AlKhobar	90%	28,364	-	-	-	28,364
b) Dar wa Emar, Olaya	AlOlaya, AlKhobar	50%	16,068	-	-	-	16,068
c) Teraz Arabia	Erga, Riyadh	70%	15,926	-	-	-	15,926
d) AbdulAziz Al Qassim, Malga III	Malga, Riyadh	60%	22,949	-	-	-	22,949
e) Albani Development Company	Al Yasim District, Riyadh	50%	3,254	-	-	-	3,254
f) Saudi Kyan II	AlNawras, AlKhobar	60%	4,110	-	-	-	4,110
g) Tharaa Real Estate Investment	AlMarooj, AlKhobar	50%	3,640	4,145	-	-	7,785
h) Abdul Aziz Al Qassim, Al-Aqeeq	AlAqiq, Riyadh	60%	1,784	-	750	(1,077)	1,457
i) Al Masharia Al Oula	Al Yasim District, Riyadh	60%	10,443	1,500	-	-	11,943
j) Saudi Kyan III	AlNawras, AlKhobar	60%	4,659	579	-	-	5,238
			111,197	6,224	750	(1,077)	117,094

Amlak International for Real Estate Finance Company
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INTERIM STATEMENT OF CASH FLOWS – UNAUDITED

For the three month period ended 31 March 2017

10 ACCOUNTS PAYABLE AND ACCRUALS

	<i>31 March 2017 (Unaudited) (SR '000)</i>	<i>31 December 2016 (Audited) (SR '000)</i>	<i>31 March 2016 (Unaudited) (SR '000)</i>
Advances received from Murabaha and Ijara customers	17,544	9,035	31,022
Salaries and employee related expenses	11,764	14,654	6,990
Accrued profit on borrowing	9,938	10,467	7,622
Accrued expenses	9,284	8,930	7,478
Financing to customers	3,079	590	106
Others	14,679	7,183	3,582
	66,288	50,859	56,800

11 ZAKAT AND INCOME TAX

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

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

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

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

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

In November 2016, a letter from GAZT has been received to attend the hearing on 05/04/1438 corresponding to 03/01/2017 on the Appeal filed for 2007-2010 with Higher Appeal Committee against the decision taken by Preliminary Appeal committee. The hearing was later postponed until further notice. The Company is contesting this assertion through professional representations.

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

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12 BANK BORROWINGS

These represent amounts borrowed from local banks. These facilities carry borrowing costs at commercial rates and are secured by the assignment of proceeds from instalment receivables. Under the terms of the arrangement, the Company has to adhere to certain financial and non-financial covenants.

	<i>31 March 2017 (Unaudited) (SR '000)</i>	<i>31 December 2016 (Audited) (SR '000)</i>	<i>31 March 2016 (Unaudited) (SR '000)</i>
Current portion of bank borrowing	773,930	800,211	465,396
Non-current portion of bank borrowing	1,259,155	1,291,592	1,533,920
	<u>2,033,085</u>	<u>2,091,803</u>	<u>1,999,316</u>

13 DIVIDENDS

During the current period, the shareholders have approved and paid dividend of SR Nil (31 December 2016: SR 67.5 million, 31 March 2016: SR Nil).

14 SHARE CAPITAL

The Company's authorised, issued and paid up share capital is SR 900 million (31 December 2016: SR 900 million: 31 March 2016: SR 900 million) divided into 90 million shares with a nominal value of SR 10 each.

Paid in share capital as at 31 March 2017, 31 December 2016 and 31 March 2016 is as follows:

<i>Shareholders</i>	<i>(SR '000)</i>	<i>Percentage %</i>
Saudi and GCC shareholders	871,000	96.78
Non-Saudi and Non-GCC shareholders	29,000	3.22
Total	<u>900,000</u>	<u>100.0</u>

Subsequent to the period end, the shareholders of the Company, during their extraordinary general assembly meeting held on 16 May 2017, approved to increase the capital of the Company from SR 900 million to SR 903 million by issuing 300,000 ordinary shares at nominal value. These new shares will be issued against Employees Stock Grant Plan whereas eligible employees of the Company will be entitled to the Company's shares as a performance bonus.

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15 EARNINGS PER SHARE

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

	<i>31 March 2017 (Unaudited)</i>	<i>31 March 2016 (Unaudited) (Restated)</i>
Profit for the period (SR '000)	<u>21,446</u>	<u>24,817</u>
Weighted average number of ordinary shares (in thousands)	<u>90,000</u>	<u>90,000</u>
Basic and diluted earnings per share (SR)	<u>0.24</u>	<u>0.28</u>

16 RELATED PARTY TRANSACTIONS AND BALANCES

The following receivable and payable balances arose as a result of transactions with related parties. Significant transactions and balances arising from transactions with related parties are as follows:

	<u>Amounts of transactions</u>	
	<i>31 March 2017 (Unaudited) (SR '000)</i>	<i>31 March 2016 (Unaudited) (SR '000)</i>
<i>Interim statement of profit or loss</i>		
Borrowing facility cost and charges	8,619	4,647
Profit earned on financing	-	11
Rent expense	398	398
Security and other expenses	11	40
Salaries and benefits – senior management*	2,739	2,109
Board fee and expenses	812	787
Arrangement Fees	250	150
PRS (profit) cost received/paid	(32)	105

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

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16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		<i>Balances</i>		
Relationship		<i>31 March 2017</i> <i>(Unaudited)</i> <i>(SR '000)</i>	<i>31 December 2016</i> <i>(Audited)</i> <i>(SR '000)</i>	<i>31 March 2016</i> <i>(Unaudited)</i> <i>(SR '000)</i>
<i>Bank balances and cash</i>				
<i>Saudi Investment Bank</i>	Shareholder	2,313	3,395	4,359
<i>Ijara receivables, net</i>				
<i>Saudi Investment Bank</i>	Shareholder	-	-	93
<i>Due from related parties</i>				
Abdulaziz AlQassim	Joint venture	-	-	28
Saudi Kayan	Joint venture	-	5,556	11,076
Dar Wa Emar - Rahba	Joint venture	-	-	1,001
Saudi Kyan 2	Joint venture	-	-	12,782
ICAP	Joint venture	1,257	1,007	607
Tharaa	Joint venture	8,029	8,029	2,945
Dar Wa Emar - Olaya	Joint venture	13,694	13,694	-
Tiraz - Arabia	Joint venture	-	-	12,812
<i>Bank borrowings</i>				
<i>Saudi Investment Bank</i>	Shareholder	671,883	672,467	681,217
<i>Notional amount of Profit Rate Swaps (PRS)</i>				
<i>Saudi Investment Bank</i>	Shareholder	85,000	85,000	85,000
<i>Financing and advances</i>				
Senior management	Management	4,197	4,361	4,694
<i>Available for sale investments</i>				
Fund managed by Al Istitmar Capital	Affiliates	10,988	10,988	11,312
<i>Other Receivables</i>				
Amlak International For Real Estate Development	Affiliates	1	1	-

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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 asset, financial liabilities and derivatives.

Financial assets consist of bank balances and receivables. Financial liabilities consist of bank borrowings and payables. Derivatives relates to interest rate swaps.

Fair value hierarchy

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

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

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

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

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

31 March 2017	<i>Fair Value</i>				
	<i>Carrying Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>(SR '000)</i>	<i>(SR '000)</i>	<i>(SR '000)</i>	<i>(SR '000)</i>	<i>(SR '000)</i>
<i>Financial assets:</i>					
Murabaha receivables, net	367,651	-	361,342	-	361,342
Ijara receivables, net	2,542,336	-	-	-	2,542,336
Ijara mawsofa fi athemmah receivables, net	118,028	-	-	-	118,028
Available for sale investment	10,988	-	10,988	-	10,988
Positive fair value of derivatives	1,898	-	1,898	-	1,898
<i>Financial liabilities:</i>					
Bank borrowings	2,033,085	-	-	-	2,033,085
Negative fair value of derivatives	1,099	-	1,099	-	1,099

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17 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 December 2016	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
	(SR '000)	(SR '000)	(SR '000)	(SR '000)	(SR '000)
<u>Financial assets:</u>					
Murabaha receivables, net	420,704	-	414,482	-	414,482
Ijara receivables, net	2,489,780	-	-	-	2,489,780
Ijara mawsofa fi athemmah receivables, net	119,725	-	-	-	119,725
Available for sale investment	10,988	-	10,988	-	10,988
Positive fair value of derivatives	2,582	-	2,582	-	2,582
<u>Financial liabilities:</u>					
Bank borrowings	2,091,803	-	-	-	2,091,803
Negative fair value of derivatives	746	-	746	-	746

31 March 2016	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
	(SR '000)	(SR '000)	(SR '000)	(SR '000)	(SR '000)
<u>Financial assets:</u>					
Murabaha receivables, net	433,979	-	421,552	-	421,552
Ijara receivables, net	2,380,446	-	-	-	2,380,446
Ijara mawsofa fi athemmah receivables, net	110,771	-	-	-	110,771
Available for sale investment	11,312	-	11,312	-	11,312
Positive fair value of derivatives	3,403	-	3,403	-	3,403
<u>Financial liabilities:</u>					
Bank borrowings	1,999,316	-	-	-	1,999,316
Negative fair value of derivatives	37	-	37	-	37

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

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

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

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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 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.

	31 March 2017 <i>(Unaudited)</i>		31 December 2016 <i>(Audited)</i> <i>(Restated)</i>		31 March 2016 <i>(Unaudited)</i> <i>(Restated)</i>	
	<i>Total capital</i> <i>ratio %</i>	<i>Tier I capital</i> <i>ratio %</i>	<i>Total capital</i> <i>ratio %</i>	<i>Tier I capital</i> <i>ratio %</i>	<i>Total capital</i> <i>ratio %</i>	<i>Tier I capital</i> <i>ratio %</i>
Capital adequacy ratio	50.63	45.42	48.69	42.61	49.92	43.66

19 COMMITMENTS AND CONTINGENCIES

The Company is committed to investment in joint venture projects amounting to SR 36.10 million (31 December 2016: SR 52 million, 31 March 2016: SR 195 million).

The Company has facilities approved but not utilised, indicative offers issued which are under consideration of the customers and due diligence in progress as of the reporting date which have the potential to convert into financing amounting to SR 327 million (31 December 2016: SR 138 million, 31 March 2016: SR 455 million). The Company has outstanding guarantee of SR 39.4 million (31 December 2016: SR 39.4 million, 31 March 2016: SR 39.4 million).

20 COMPARATIVE FIGURES

The change in the accounting policy for zakat and income tax (as explained in note 3) has the following impacts on the line items of interim statements of profit or loss, comprehensive income, financial position and changes in shareholders' equity:

31 March 2016	As previously reported 31 March 2016 <i>(SR'000)</i>	Restatement <i>(SR'000)</i>	Amount as restated at 31 March 2016 <i>(SR'000)</i>
Zakat for the period – interim statement of Profit or Loss	702	(702)	-
Income tax for the period – interim statement of Profit or Loss	181	(181)	-
Profit for the period	23,988	829	24,817
Total comprehensive income	23,919	829	24,748
Earnings per share (SR)	0.27	0.01	0.28
Deferred zakat and tax asset	1,557	(1,557)	-
Retained earnings	186,952	(1,557)	185,395
Total assets	3,189,625	(1,557)	3,188,068
Total shareholders' equity	1,121,798	(1,557)	1,120,241
Total liabilities and shareholders' equity	3,189,625	(1,557)	3,188,068
Capital adequacy ratio			
<i>Total capital ratio</i>	49.98%	-0.06%	49.92%
<i>Tier I capital ratio</i>	43.69%	-0.03%	43.66%

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20 COMPARATIVE FIGURES (continued)

<i>31 December 2016</i>	<i>As previously reported 31 December 2016 (SR'000)</i>	<i>Restatement (SR'000)</i>	<i>Amount as restated at 31 December 2016 (SR'000)</i>
Deferred zakat and tax asset	1,916	(1,916)	-
Retained earnings	193,035	(1,916)	191,119
Total assets	3,291,433	(1,916)	3,289,517
Total shareholders' equity	1,135,188	(1,916)	1,133,272
Total liabilities and shareholders' equity	3,291,433	(1,916)	3,289,517
Capital adequacy ratio			
<i>Total capital ratio</i>	48.70%	-0.01%	48.69%

<i>31 December 2015</i>	<i>As previously reported 31 December 2015 (SR'000)</i>	<i>Restatement (SR'000)</i>	<i>Amount as restated at 31 December 2015 (SR'000)</i>
Retained earnings	165,363	(1,503)	163,860
Total shareholders' equity	1,097,879	(1,503)	1,096,376

21 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 27 Rajab 1438H (corresponding to 24 April 2017).