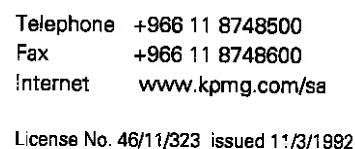


SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Condensed Interim Financial Statements
(Unaudited)
For the three-month period ended
31 March 2019



SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 31 March 2019
(Saudi Arabian Riyals)

	<i>Note</i>	31 March 2019 (Unaudited)	31 December 2018 (Audited)	31 March 2018 (Audited)
<u>ASSETS</u>				
Cash and cash equivalents	4	1,080,419,712	880,632,477	471,281,096
Murabaha receivables	5	200,300,757	221,156,755	880,183,181
Ijara receivables, net	6	934,100,252	632,405,628	138,447,989
Prepayments and other current assets		17,805,983	14,291,197	2,730,084
Property and equipment		4,830,341	2,920,521	10,251,662
Right-of-use asset	7	5,079,203	--	--
Intangible assets		8,522,081	9,658,685	1,286,178
TOTAL ASSETS		<u>2,251,058,329</u>	<u>1,761,065,263</u>	<u>1,504,180,190</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Trade and other payables	8	11,924,167	23,251,748	17,712,507
Debt securities issued	9	755,643,153	250,684,820	--
Lease liability	7	3,922,203	--	--
TOTAL LIABILITIES		<u>771,489,523</u>	<u>273,936,568</u>	<u>17,712,507</u>
Share capital		1,500,000,000	1,500,000,000	1,500,000,000
Accumulated losses		(20,431,194)	(12,871,305)	(13,532,317)
TOTAL SHAREHOLDERS' EQUITY		<u>1,479,568,806</u>	<u>1,487,128,695</u>	<u>1,486,467,683</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>2,251,058,329</u>	<u>1,761,065,263</u>	<u>1,504,180,190</u>

The accompanying notes 1 to 13 form an integral part of these condensed interim financial statements.

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three-months period ended 31 March 2019
(Saudi Arabian Riyals)

	For the three- months period ended 31 March 2019 (Unaudited)	For the three- months period ended 31 March 2018 (Audited)
	<i>Note</i>	
REVENUE		
Income from Murabaha receivables	3,063,895	5,480,856
Income from Ijara receivables	10,084,088	681,184
Special commission expenses on debt securities issued	(4,958,333)	--
Total revenue	8,189,650	6,162,040
OPERATING EXPENSES		
Servicing fee	(1,186,294)	--
General and administrative expenses	(19,293,521)	(6,683,574)
Advertising and marketing expenses	(972,536)	(632,290)
Allowance for expected credit losses	(856,878)	(1,421,000)
Total operating expenses	(22,309,229)	(8,736,864)
NON-OPERATING INCOME		
Income from bank deposits	6,559,690	2,389,552
Net loss for the period	(7,559,889)	(185,272)
Other comprehensive income	--	--
Total comprehensive loss for the period	(7,559,889)	(185,272)

The accompanying notes 1 to 13 form an integral part of these condensed interim financial statements.

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
For the three-month period ended 31 March 2019
(Saudi Arabian Riyals)

For the three-months period ended 31 March 2019	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Total</u>
Balance at 1 January 2019	1,500,000,000	(12,871,305)	1,487,128,695
Total comprehensive loss	--	(7,559,889)	(7,559,889)
Balance at 31 March 2019 (Unaudited)	<u>1,500,000,000</u>	<u>(20,431,194)</u>	<u>1,479,568,806</u>

*For the three-months period ended 31
March 2018*

Balance at 1 January 2018	1,500,000,000	(13,347,045)	1,486,652,955
Total comprehensive loss	--	(185,272)	(185,272)
Balance at 31 March 2018 (Audited)	<u>1,500,000,000</u>	<u>(13,532,317)</u>	<u>1,486,467,683</u>

The accompanying notes 1 to 13 form an integral part of these condensed interim financial statements.

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH-FLOWS (UNAUDITED)
For the three-months period ended 31 March 2019
(Saudi Arabian Riyals)

		For the three- months period ended 31 March 2019 Unaudited	For the three- months period ended 31 March 2018 Audited
	<i>Notes</i>		
Cash flows from operating activities:			
Net loss for the period		(7,559,889)	(185,272)
<i>Non-cash adjustments to reconcile net loss for the period to net cash used in operating activities:</i>			
Depreciation	10	126,361	114,808
Amortization	10	1,136,604	152,107
Special commission expense on debt securities issued		4,958,333	--
Allowance for expected credit losses	6	856,878	1,421,000
		(481,713)	1,502,643
<i>Changes in:</i>			
Murabaha receivables		20,855,998	(780,115,151)
Ijara receivables		(302,551,502)	(139,868,989)
Prepayments and other current assets		(3,514,786)	(897,643)
Trade and other payables		(11,327,581)	(5,587,246)
Net cash used in operating activities		(297,019,584)	(924,966,386)
Cash flows from investing activities:			
Additions to property and equipment		(2,036,181)	(32,839)
Additions to intangible assets		--	(1,406,450)
Net cash used in investing activities		(2,036,181)	(1,439,289)
Cash flows from financing activities:			
Proceeds from debt securities issued		500,000,000	--
Lease liability paid		(1,157,000)	--
Net cash generated from financing activities		498,843,000	--
Net increase / (decrease) in cash and cash equivalents		199,787,235	(926,405,675)
Cash and cash equivalents at beginning of the period		880,632,477	1,397,686,771
Cash and cash equivalents at end of the period		1,080,419,712	471,281,096

The accompanying notes 1 to 13 form an integral part of these condensed interim financial statements.

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-months period ended 31 March 2019
(Saudi Arabian Riyals)

1. THE COMPANY AND THE NATURE OF OPERATIONS

Saudi Real Estate Refinance Company (the "Company" or "SRC") is a Saudi closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration ("CR") No.1010469391 issued in Riyadh on 28 Jumada II 1438H (corresponding to 27 March 2017). The Company was granted a full license by Saudi Arabian Monetary Authority ("SAMA") to operate as a mortgage finance company with license number 201709/شع/48 dated 1 Muharram 1439H (corresponding to 21 September 2017).

The objective of the Company is to develop the housing finance market in the Kingdom of Saudi Arabia by enabling the financial institutions to offer long-term and short-term financing solutions to home buyers.

The registered office of the Company is as follows:

Saudi Real Estate Refinance Company
2nd Floor, Building WH 14, ITCC Complex
Said As Salmi Road, Al Nakhil District
Riyadh 12382
Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

a) *Statement of compliance*

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2018.

b) *Basis of measurement*

These condensed interim financial statements have been prepared under the historical cost convention.

c) *Functional and presentation currency*

These condensed interim financial statements are presented in Saudi Arabian Riyals ("SAR"), which is the Company's functional currency. The financial information presented in SAR is in full amounts, except as indicated.

d) *Order of liquidity*

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018.

The Company has adopted IFRS 16 Leases from January 1, 2019; there are also amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2019. Adoption of IFRS 16 and other amendments did not require retrospective adjustments; however, there are changes in accounting policies due to adoption of IFRS 16 which are mentioned below.

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-months period ended 31 March 2019
(Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

IFRS 16 Leases

IFRS 16 replaces 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 Involving the Legal Form of a Lease'.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Initial recognition

Assets and liabilities arising from a lease are initially measured on a present value basis.

- i. Right-of-use assets are measured at cost comprising the following:
 - the amount of the initial measurement of lease liability
 - any lease payments made at or before the commencement date less any lease incentives received
 - any initial direct costs, and
 - restoration costs.
- ii. Lease liabilities include the net present value of the following lease payments:
 - fixed payments (including in-substance fixed payments), less any lease incentives receivable
 - variable lease payments that are based on an index or a rate
 - amounts expected to be payable by the lessee under residual value guarantees
 - the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
 - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Subsequent measurement

Right-of-use asset

The Company applies the cost model, and measures right-of-use asset at initial recognition value:

- a) less any accumulated depreciation and any accumulated impairment losses; and
- b) adjusted for any re-measurement of the lease liability for lease modifications.

Lease liability

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

- a) Increasing the carrying amount to reflect interest on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made and; and
- c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-months period ended 31 March 2019
(Saudi Arabian Riyals)

4. CASH AND CASH EQUIVALENTS

	31 March 2019 (Unaudited)	31 December 2018 (Audited)	31 March 2018 (Audited)
Cash in hand	15,303	303	7,052
Cash at bank			
– Current Account	46,454	37,811,554	116,448,140
– Savings Account	825,357,955	592,820,620	354,825,904
– Short-term placement	255,000,000	250,000,000	--
	<u>1,080,419,712</u>	<u>880,632,477</u>	<u>471,281,096</u>

5. MURABAHA RECEIVABLES, NET

	31 March 2019 (Unaudited)	31 December 2018 (Audited)	31 March 2018 (Audited)
Gross Murabaha receivables	202,271,411	222,253,214	881,586,806
Less: Unearned income	(1,970,654)	(1,096,459)	(1,403,625)
	<u>200,300,757</u>	<u>221,156,755</u>	<u>880,183,181</u>

- 5.1 The Company entered into a facility agreement dated 20 December 2017, with Bidaya Home Finance Company for a short-term Murabaha financing facility amounting to SAR 850 million. Under the agreement, as at period end, the Company had disbursed an amount of SAR 50 million maturing on 26 December 2018. Further, these drawdowns carry varying profit rates from 4.51% - 4.55% per annum.

The facilities outstanding as at December 31, 2018 and March 31, 2018 amounted to SR 70 million and SR 200 million respectively, having term periods of up to 3 months and carrying varying profit rates from 3.82% - 4.41% per annum.

- 5.2 The Company entered into a facility agreement dated 17 January 2018 with Deutsche Gulf Finance for a short-term Murabaha financing facility amounting to SAR 750 million. Under the agreement, the Company has disbursed various amounts totaling to SR 150 million, with term periods of up to 3 months each. Further, these drawdowns carry varying profit rates from 4.53% - 4.55% per annum.

The facilities outstanding as at December 31, 2018 and March 31, 2018 amounted to SR 150 million and SR 675 million respectively, having term periods of up to 3 months and carrying varying profit rates from 3.49% - 4.42% per annum.

- 5.3 The Company in the ordinary course of its Murabaha financing holds collaterals as security to mitigate credit risk. These collaterals mostly include promissory notes and rights to proceeds from certain Ijara receivables of the financing companies. As at the period-end, Murabaha receivables were neither past due nor impaired.

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-months period ended 31 March 2019
(Saudi Arabian Riyals)

6. IJARA RECEIVABLES, NET

	31 March 2019	31 December 2018	31 March 2018
	(Unaudited)	(Audited)	(Audited)
Gross ijara receivables	1,519,913,075	958,929,464	225,293,466
Less: Unearned income	(580,909,237)	(322,477,12)	(85,424,477)
	939,003,838	636,452,336	139,868,989
Less : Allowance for expected credit losses	(4,903,586)	(4,046,708)	(1,421,000)
Ijara receivables, net	934,100,252	632,405,628	138,447,989

During the three-months period ended 31 March 2019, the Company purchased Ijara receivables portfolios from Bidaya Home Finance Company and Amlak International for Real Estate Finance Company.

Under the terms of the purchase, the Company acquired rights, titles, interest and benefits in the Ijara receivables portfolios. As a result, the associated risk and rewards together with the control has been passed onto the Company.

The following table shows reconciliations from the opening to the closing balance of the allowance for expected credit losses for Ijara receivables

	31 March 2019 (Unaudited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL Credit Impaired	Total
Balance at 1 January	2,698,619	686,508	661,581	4,046,708
Net movement	144,200	1,374,259	(661,581)	856,878
Balance as at 31 March	2,842,819	2,060,767	-	4,903,586

The credit quality of Ijara receivables is as follows

	31 March 2019	31 December 2018
	(Unaudited)	(Audited)
Neither past due nor impaired	907,925,229	615,654,000
Past due but not impaired		
- 31 - 60 days	22,897,870	13,683,897
- 61 – 90 days	8,180,739	1,412,135
Impaired	--	5,702,304
	939,003,838	636,452,336

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-months period ended 31 March 2019
(Saudi Arabian Riyals)

7. RIGHT-OF-USE ASSET

During the period, the Company entered into a 5 year lease contract for a new office premises. In this respect, the Company has recognised a right-of-use asset amounting to SR 5 million. The corresponding lease liability as of the reporting date amounts to SR 4 million as SR 1.1 million has been paid in advance at the commencement of the contract. The incremental borrowing rate applied is 4.5%.

8. TRADE AND OTHER PAYABLES

	31 March 2019 (Unaudited)	31 December 2018 (Audited)	31 March 2018 (Audited)
Due to the Shareholder (note 8.1)	8,455,136	8,455,136	8,455,136
Due to other suppliers	1,781,651	10,726,132	4,578,166
Withholding tax and VAT payable	--	--	72,491
Accruals for:			
- Service fee	--	2,138,849	3,880,000
- Employees' end-of-service benefits	803,560	400,000	249,991
- Rent	85,630	661,093	--
- Legal and professional services	540,000	280,000	280,000
- Employee related accruals	175,649	157,314	--
- Others	82,541	433,224	196,723
	<u>11,924,167</u>	<u>23,251,748</u>	<u>17,712,507</u>

- 8.1 This represents amount due in respect of the pre-incorporation expenses incurred on behalf of the Company. The amount includes charges for consultancy services provided to the Company amounting to SAR 7,600,000.

9. DEBT SECURITIES ISSUED

During the three-months period ended 31 March 2019, the Company issued un-secured non-convertible unlisted sukuk amounting to SAR 500 million.

As of the reporting date, the Company has issued various amounts totalling to SAR 750 million with term periods ranging from 5 years to 10 years. Further, these securities carry profit at fixed rates ranging from 4.08% - 4.66% payable semi-annually.

The Company had issued securities amounting to SR 250 million as at December 31, 2018, having term period of 5 years to 10 years and carrying profit at fixed rates ranging from 4.08% - 4.66% payable semi-annually.

The balance includes accrued special commission expense of SAR 5.6 million (31 December 2018: SAR 0.7 million).

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-months period ended 31 March 2019
(Saudi Arabian Riyals)

10. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three- months period ended 31 March 2019 (Unaudited)	For the three- months period ended 31 March 2018 (Audited)
Salaries and other benefits	7,769,429	4,127,189
Legal and professional fees	8,347,552	702,698
Amortization of intangible assets	1,136,604	152,107
Rent	739,672	403,313
IT consulting	489,247	332,500
Depreciation	126,361	114,808
Travelling expenses	10,647	622,605
Others	674,009	228,354
	19,293,521	6,683,574

11. RELATED PARTY TRANSACTIONS

The related parties of the Company include the shareholder and its affiliated entities and certain key management personnel. In the ordinary course of its activities, the Company transacts business with its related parties on mutually agreed terms. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

During the normal course of its operations, the Company had the following transactions with the related parties during the period:

Related party	Nature of transaction / balance	31 March 2019 (Unaudited)	31 December 2018 (Audited)	31 March 2018 (Audited)
Key management personnel and Board of Directors	Salaries, benefits and BOD Expenses	1,885,511	8,435,709	1,469,511
Shareholder (Public Investment Fund)	Trade and other payables	8,455,136	8,455,136	8,455,136

12. FAIR VALUES 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

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalent, Murabaha receivable, Ijara receivables and other current assets. Financial liabilities consist of trade and other payables. At 31 March 2019, the carrying value of these financial instruments approximate to their fair value.

13. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements and its accompanying notes were approved for issue by the Board of Directors' on 20 Shaban 1440H (corresponding to 25 April 2019).