SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the period from 27 March 2017
(Date of Commercial Registration)
to 31 December 2017
together with the
Independent Auditors' Report

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

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

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

Independent auditors' report

To the Shareholders of
Saudi Real Estate Refinance Company
(A Saudi Closed Joint Stock Company)
Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Saudi Real Estate Refinance Company** ("the Company"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss, cash flows and changes in shareholder's equity for the period from 27 March 2017 to 31 December 2017, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting for zakat and income tax.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as modified by SAMA for the accounting of zakat and income tax, the Regulations for Companies, and the Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

KPMG

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of the **Saudi Real Estate Refinance Company**.

Report on Other Legal and Regulatory Requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
License No. 348

Date: 29 Rajab 1439H
Corresponding to: 15 April 2018

كي . بي . ام . جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
C.R. 46 KPMG س.ت.م رقم ٤٦
Certified Public Accountants
KPMG Al Fozan & Partners

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017
(Saudi Arabian Riyals)

	Notes	2017
ASSETS		
Cash and cash equivalents	*4*	**1,397,686,771**
Murabaha receivable, unsecured	*5*	**100,068,030**
Prepayments and other current assets		**388,535**
Intangible assets	*6*	**8,997,319**
Property and equipment	*7*	**2,812,053**
TOTAL ASSETS		1,509,952,708
LIABILITIES AND SHAREHOLDER'S EQUITY		
Accrued expenses and other current liabilities	*8*	23,299,753
Total liabilities		23,299,753
Share capital	*9*	**1,500,000,000**
Accumulated losses		(13,347,045)
Total shareholder's equity		1,486,652,955
Total liabilities and shareholder's equity		1,509,952,708

The accompanying notes from 1 to 20 form an integral part of these financial statements.

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS
For the period from 27 March 2017 to 31 December 2017
(Saudi Arabian Riyals)

	Notes	For the period from 27 March 2017 to 31 December 2017
INCOME		
Income from Murabaha receivables		68,030
Income from deposit in bank's saving account		19,273,378
		19,341,408
OPERATING EXPENSES		
General and administrative expenses	10	(22,745,648)
Selling and marketing expenses		(525,250)
Total operating expense for the period		(23,270,898)
Operating loss for the period		(3,929,490)
Pre-operating income	11	14,927,292
Pre-operating expenses	11	(24,344,847)
Net loss for the period		(13,347,045)
Weighted average number of shares		150,000,000
Loss per share - basic and diluted	12	(0.09)

The accompanying notes from 1 to 20 form an integral part of these financial statements.

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the period 27 March 2017 to 31 December 2017
(Saudi Arabian Riyals)

	Notes	**For the period from 27 March 2017 to 31 December 2017**
Cash flows from operating activities:		
Net loss for the period		**(13,347,045)**
Non-cash adjustments to reconcile net loss for the period to net cash used in operating activities:		
Depreciation	*7*	**167,436**
Amortization	*6*	**150,928**
		(13,028,681)
Increase in operating assets:		
Murabaha receivable		**(100,068,030)**
Prepayments and other current assets		**(388,535)**
Increase in operating liabilities:		
Accrued expenses and other current liabilities		**23,299,753**
Net cash used in operating activities		**(90,185,493)**
Cash flows from investing activities		
Additions to property and equipment	*7*	**(2,979,489)**
Additions to intangible assets	*6*	**(9,148,247)**
Cash used in investing activities		**(12,127,736)**
Cash flows from financing activities		
Proceeds from issuance of share capital		**1,500,000,000**
Cash generated from financing activities		**1,500,000,000**
Net increase in cash and cash equivalents		**1,397,686,771**
Cash and cash equivalents at end of the period	*4*	**1,397,686,771**

The attached notes 1 to 20 form an integral part of these financial statements.

SAUDI REAL ESTATE REFINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
For the period from 27 March 2017 to 31 December 2017
(Saudi Arabian Riyals)

	Share capital	Accumulated losses	Total
Share capital issued during the period	1,500,000,000	--	1,500,000,000
Net loss for the period	--	(13,347,045)	(13,347,045)
Movement during the period	1,500,000,000	(13,347,045)	1,486,652,955
Balance as at 31 December 2017	**1,500,000,000**	**(13,347,045)**	**1,486,652,955**

The attached notes 1 to 20 form an integral part of these financial statements.

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 and registered in the Kingdom of Saudi Arabia under Commercial Registration ("CR") number 1010469391 issued in Riyadh dated 28 Jumada II 1438H (corresponding to 27 March 2017). The Company was granted license by Saudi Arabian Monetary Authority ("SAMA") to operate as a mortgage finance company vide license number 201709/ ع ش/48 dated 5 Muharram 1439H (corresponding to 25 September 2017).

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

The registered office of the Company with its postal address 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 financial statements of the Company have been prepared:

a) in accordance with 'International Financial Reporting Standards (IFRS) as modified by SAMA for the accounting of zakat and income tax', which requires, adoption of all IFRSs as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA Circular no. 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the Zakat and Income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings.

b) in compliance with the provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and the By-laws of the Company.

Pursuant to the Company's Articles of Association and Company's Bye Laws, the first financial reporting period of the Company shall start from the date of the Company's CR and end on 31 December 2017. Accordingly, these first set of financial statements are prepared for the period from 27 March 2017 (date of CR) to 31 December 2017 and no comparatives have been presented in these financial statements.

b) *Basis of measurement*

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

c) *Functional and presentation currency*

These 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.

2. BASIS OF PREPARATION (CONTINUED)

d) Order of liquidity

Assets and liabilities in the statement of financial position are presented in the order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 15.

e) Critical accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management has used judgements, estimates and assumptions are as follows:

i. Impairment of financial assets

The Company exercises judgement to consider at each reporting date whether there is an objective evidence of impairment on any financial assets or a group of financial assets. This objective evidence of impairment is based on the results of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Impairment losses on Murabaha receivables investments are measured as the difference between carrying cost and the present value of estimated future cash flows. Impairment losses are recognized in the statement of profit or loss as impairment loss on Murabaha receivables. If the amount of impairment loss is subsequently decreased and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through statement of profit or loss.

The Company reviews its financial assets portfolio to assess specific and collective impairment on a quarterly basis. In determining whether an impairment loss should be recorded, the Company uses objective evidence and estimates in making judgements as to impairment in determining whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence may include observable data indicating that there has been an adverse change in the payment status of the counter-party. Provision for credit losses is based on management assessment as to whether there is objective evidence that a financial asset may be impaired. If such evidence exists, the estimated recoverable amount is determined and any impairment loss is recognized in the statement of profit or loss.

ii. Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Additionally, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies adopted in the preparation of these financial statements:

a) *Cash and cash equivalents*

Cash and cash equivalents consist of cash in hand and cash with banks in current and saving accounts having maturity of less than 3 months.

b) *Financial instruments*

Murabaha receivable

The Company entered into Murabaha financing arrangement with its customer and records it as Murabaha receivable in the statement of financial position.

Murabaha is an agreement whereby the Company sells to a customer an asset, which the Company has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Murabaha sale contracts include the total of future sale payments on the Murabaha agreement (Murabaha sale contract receivable). The difference between the Murabaha sale contracts receivable and the cost of the sold asset, is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the Murabaha receivable.

Murabaha financing is a non-derivative financial assets originated by the Company with fixed or determinable payments. These are recognised when cash is advanced to borrowers. These are derecognized when either borrower repays their obligations, or the Murabaha financings are sold or written off, or substantially all the risks and rewards of ownership are transferred.

Murabaha financings are initially measured at fair value, plus incremental direct transaction costs (above certain threshold) and are subsequently measured at amortised cost using effective yield basis.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortized cost
For Murabaha receivable, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of profit or loss. If Murabaha receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at a fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the carrying amount is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and reported net in the statement of financial position when the entity has a legal currently enforceable right to set off the recognised amounts and when the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

c) *Intangible assets*

Intangibles assets are initially recognized at cost less accumulated amortization and impairment losses, if any. Costs that are directly associated with identifiable software product controlled by the Company and have probable economic benefits beyond one year are recognized as intangible asset. Costs associated with maintaining computer software are recognized as an expense as and when incurred.

Amortization is charged to statement of profit or loss by applying the straight line basis whereby the carrying amount of an asset is amortized over its estimated useful life to the Company unless such life is indefinite. The estimated useful life of intangible assets is 3 years. The estimated useful life and amortization method are reviewed at the end of each reporting period with the effect of any change in estimate accounted for on prospective basis.

d) *Property and equipment*

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. Expenditure for repair and maintenance are charged to the statement of profit or loss. Improvements that increase the value or materially extend the life of the related assets are capitalized.

The estimated useful lives of the principal classes of assets are as follows:

	Years
Leasehold improvements	5
Office equipment and furniture	3 - 5
Computer equipment and related accessories	3

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Accrued expenses and other current liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

f) Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

g) Zakat

The Company is not subject to Zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT") as applicable in the Kingdom of Saudi Arabia, as it is fully owned by Public Investment Fund (a government agency). The Company has also obtained specific exemption from the GAZT in this regard subsequent to the statement of financial position date via letter number 20501/15/1439 dated 9 Jumada II 1439 (corresponding to 25 February 2018). However, the Company is required to submit its Zakat returns to the GAZT annually.

h) Statutory reserve

As required by Saudi Arabian Regulations for Companies and the Company's By-laws, 10% of the income for the year (after zakat and after deducting losses brought forward) should be transferred to the statutory reserve until such reserve equals to 30% of the share capital. No amount has been transferred to the statutory reserve due to the net loss during the period.

i) Income recognition

Income on Murabaha receivable is recognized in the statement of profit or loss on an effective yield basis.

Return on bank's deposits is recognized on accrual basis.

j) Expenses

Selling and marketing expenses are those that specifically relate to sales and marketing. All other expenses are classified as general and administration expenses.

k) Foreign currencies

Transactions denominated in foreign currencies are recorded in Saudi Arabian Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of financial position date. All differences are taken to the statement of profit or loss. Gains or losses on foreign currency transactions are included in the statement of profit or loss during the period.

4. CASH AND CASH EQUIVALENTS

	2017
Cash in hand	**2,402**
Cash at bank	
- current account	**300,049,993**
- saving accounts	**1,097,634,376**
	1,397,684,369
	1,397,686,771

5. MURABAHA RECEIVABLE, UNSECURED

	2017
Gross Murabaha receivable	**100,875,675**
Less: Unearned income	**(807,645)**
	100,068,030

5.1 The Company has entered into 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, the Company has disbursed an amount of SAR 100 million maturing on 25 March 2018. As at the period-end, the total Murabaha receivable is neither past due nor impaired.

6. INTANGIBLE ASSETS

	2017
	Software
Cost:	
Additions during the period	**9,148,247**
As at 31 December 2017	**9,148,247**
Accumulated amortization:	
Charge for the period	**(150,928)**
As at 31 December 2017	**(150,928)**
Net book value as at 31 December 2017	**8,997,319**

6.1 Intangible assets includes Company's core software and other office related software.

7. PROPERTY AND EQUIPMENT, NET

	Leasehold improvement	Office equipment and furniture	Computer and related accessories	Total
Cost:				
Additions	368,350	336,672	2,274,467	**2,979,489**
As at 31 December 2017	368,350	336,672	2,274,467	**2,979,489**
Accumulated depreciation:				
Charge for the period	(36,835)	(22,839)	(107,762)	**(167,436)**
As at 31 December 2017	(36,835)	(22,839)	(107,762)	**(167,436)**
Net book value as at 31 December 2017	**331,515**	**313,833**	**2,166,705**	**2,812,053**

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2017
Due to Public Investment Fund, the shareholder (note 8.1)	**8,455,136**
Due to other suppliers	**2,147,324**
Withholding tax payable	**1,392,604**
Accruals for:	
- IT infrastructure	**2,925,000**
- Financial advisory services	**3,750,000**
- Employee related accruals	**2,444,837**
- Legal and professional services	**661,861**
- Others	**1,522,991**
	23,299,753

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. SHARE CAPITAL

The Company's authorized share capital is SAR 5,000,000,000 divided into 500,000,000 shares of SAR 10 each. As at 31 December 2017, the issued and fully paid-up share capital of the Company was SAR 1,500,000,000, which is fully owned by Public Investment Fund.

10. GENERAL AND ADMINISTRATIVE EXPENSES

	For the period from 27 March 2017 to 31 December 2017
Salaries and other benefits	**9,907,314**
Legal and professional fees	**9,736,716**
Rents	**984,505**
Travelling expenses	**877,851**
Depreciation and amortization	**318,364**
Others	**920,898**
	22,745,648

11. PRE-OPERATING INCOME AND EXPENSE

11.1 The Company has earned income from cash deposit in the bank's saving account and incurred some expenses before the Company received it's CR. Such income and expenses which relate to the period prior to incorporation of the Company have been recognized in the statement of profit or loss as pre-operating income and pre-operating expenses of the Company respectively.

11.2 The pre-operating expenses of the Company comprise of:

	2017
Legal and professional charges	**23,708,574**
Marketing expenses	**237,500**
Others	**398,773**
	24,344,847

12. LOSS PER SHARE – BASIC & DILUTED

Loss per share for the period is calculated by dividing net loss for the period by the weighted average number of shares in issue during the period.

13. 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.

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

Name of related party	Nature of transactions	Relationship	2017
Public Investment Fund	Pre-operating expenses incurred on behalf of the Company	Shareholder	**8,455,136**
Key Management Personnel	Salaries and benefits		**4,421,180**
	Board meeting fees and other expenses		**146,151**

The above transactions resulted in a payable amount due to Public Investment Fund amounting to SAR 8,455,136 as disclosed under accrued expenses and other current liabilities in the statement of financial position.

14. CONTINGENCIES

As at 31 December 2017, the Company has irrevocable commitment to extent credit in respect of the Murabaha financing arrangement with Bidaya Home Finance Company amounting to SAR 750 million until 20 June 2019.

15. RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out under policies approved by the management. The management identifies, evaluates and has written principles for overall risk management covering specific areas, such as foreign exchange risk, profit rate risk, credit risk and investment of excess liquidity.

Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge its contractual obligation and cause the other party to incur a financial loss. The Company has established procedures to manage credit risk including evaluation of lessees' credit worthiness, formal credit approvals and obtaining collateral. Furthermore, due diligence by specialized institutions is carried on the behalf of the Company to minimize the credit risk. The Company is exposed to credit risk on its bank balances, Murabaha receivables and deposits with the counter parties.

15. RISK MANAGEMENT (CONTINUED)

The table below reflects the maximum exposure to credit risk on the financial assets at the reporting date:

	2017
Cash at bank	**1,397,684,369**
Murabaha receivable, unsecured	**100,068,030**
Deposits	**84,300**
	1,497,836,699

Credit risk on cash at bank is limited as the balances are held with banks with sound credit rating ranging from BBB+ to A-. Further, the Company seeks to limit its credit risk with respect to Murabaha customers by conducting due diligence before provision of the financing facility and closely monitoring the outstanding balance on an ongoing basis.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company monitors and manages the liquidity structure of its assets and liabilities to ensure that cash flows are sufficiently balanced and that sufficient liquid funds are maintained to meet liquidity requirements. The table below shows an analysis of assets and liabilities, analysed according to when they are expected to be recovered or settled:

	Gap between assets and liabilities				
	Carrying Amount	**No Specific maturity**	**Within 3 months**	**3 to 12 months**	**More than 1**
Assets					
Cash and cash equivalent	**1,397,686,771**	**1,397,686,771**	--	--	--
Murabaha receivable, unsecured	**100,068,030**	--	**100,068,030**	--	--
Deposits	**84,300**	--	--	**84,300**	--
Total assets	**1,497,839,101**	**1,397,686,771**	**100,068,030**	**84,300**	--
Liabilities					
Accrued expenses and other current liabilities	**21,907,149**	--	**21,907,149**	--	--
Total liabilities	**21,907,149**	--	**21,907,149**	--	--
Gap	**1,475,931,952**	**1,397,686,771**	**78,160,881**	**84,300**	--

Market risk

Market risk is the risk that the value of the financial instruments will fluctuate due to changes in market variables such as special commission rates, equity prices and foreign exchange rates. Market rate can be categorized into profit rate risk, equity price risk and currency risk as follows:

15. RISK MANAGEMENT (CONTINUED)

Profit rate risk

Profit rate risk is the uncertainty of future earnings resulting from fluctuations in profit rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to profit rate adjustment within a specified period.

As at 31 December 2017, the Company does not hold any variable interest rate instrument and Accordingly, the Company is not exposed to profit rate risk.

Equity Price Risk

Equity price risk is the risk that the fair value or the future cash flows of the financial instrument will fluctuate because of the changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument issuer, or factors affecting all similar financial instruments traded in the market.

As at 31 December 2017, there are no equity investments of the Company, hence the Company is not exposed to equity price risk.

Currency risk

Currency risk is the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars and therefore is not exposed to currency risk.

16. 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 and deposits. Financial liabilities consist of accrued expenses and other current liabilities. Since all the financial assets and liabilities of the Company are short-term, their carrying value approximates the fair value.

17. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital employed as well as the level of dividends to ordinary its sole shareholder.

The Company's objectives when managing the capital is to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholder and benefit for other stakeholders.

18. SEGMENT INFORMATION

The Company's objective is to develop real estate market in the Kingdom of Saudi Arabia through extending financing facilities to the financial institutions. All assets, liabilities and operations as reflected in the statement of financial position and statement of profit or loss belongs to the real estate financing segment.

19. ISSUED IFRS BUT NOT YET EFFECTIVE

The standards and amendments to existing standards, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, when they become effective.

		Effective for annual periods beginning on or after
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 16	Leases	1 January 2019

The Company is currently assessing the implications and effects of the abovementioned standards and the management believes` that the adoption will not have a material impact on the Company's financial statements

20. APPROVAL OF FINANCIAL STATEMENTS

The financial statements and its accompanying notes were approved for issue by the Board of Directors' on 24 Jumada II 1439 H (corresponding to 12 March 2018).