

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Condensed Interim Financial Statements
(Unaudited)
For the three-month period ended
31 March 2019



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

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

Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Bidaya Home Finance Company

Introduction

We have reviewed the accompanying 31 March 2019 condensed interim financial statements of Bidaya Home Finance Company ("the Company"), which comprises:

- the condensed interim statement of financial position as at 31 March 2019;
- the condensed interim statements of profit or loss and other comprehensive income for the three-month period ended 31 March 2019;
- the condensed interim statement of changes in equity for the three-month period ended 31 March 2019;
- the condensed interim statement of cash flows for the three-month period ended 31 March 2019; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34") as modified by Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2019 condensed interim financial statements of Bidaya Home Finance Company are not prepared, in all material respects, in accordance with IAS 34 as modified by SAMA for the accounting of zakat and income tax.

For KPMG Al Fozan & Partners
Certified Public Accountants

Kholoud A. Mousa Altambakti
License No: 421



Riyadh: 20 Sha'ban 1440H
Corresponding to 25 April 2019

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(Saudi Arabian Riyals in '000)
As at 31 March 2019

	<u>Notes</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
<u>ASSETS</u>			
Cash and cash equivalents	5	12,169	14,440
Investments held at fair value through profit or loss ("FVTPL")		--	53,000
Investments held at fair value through other comprehensive income ("FVOCI")		893	893
Ijara receivables, net	6	1,378,301	1,356,481
Prepaid Zakat		5,255	5,426
Deposits, prepayments and other receivables	7	128,619	20,605
Right-of-use asset		3,065	--
Intangible assets, net		4,060	4,243
Property and equipment, net		6,653	6,887
Total assets		<u>1,539,015</u>	<u>1,461,975</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Short-term financing	0	50,000	70,000
Debt securities	10	350,000	350,000
Lease liability		2,167	--
Accrued expenses and other current liabilities	8	298,009	204,862
Provision for employees' end of service benefits		1,946	1,761
Total liabilities		<u>702,122</u>	<u>626,623</u>
Share capital	12	900,000	900,000
Statutory reserves	13	171	--
Accumulated losses		(63,278)	(64,648)
Total Shareholders' equity		<u>836,893</u>	<u>835,352</u>
Total liabilities and shareholders' equity		<u>1,539,015</u>	<u>1,461,975</u>

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
(Saudi Arabian Riyals in '000)
For the three-month period ended 31 March 2019

	<u>Notes</u>	For the three- month period ended 31 March 2019	For the three- month period ended 31 March 2018
REVENUE			
Ijara income		21,639	13,871
Fee income		5,207	1,043
Servicing income		632	--
Total revenue		27,478	14,914
OPERATING EXPENSES			
General and administrative expenses	14	(13,797)	(8,699)
Selling and marketing expenses	15	(4,089)	(3,727)
Depreciation		(754)	(348)
Amortization		(332)	(222)
Impairment charge for credit losses		(2,563)	(2,053)
Finance charges		(4,289)	(1,122)
Total operating expenses for the period		(25,824)	(16,171)
Operating income / (loss) for the period		1,654	(1,257)
Realized gain on investments held at FVTPL		58	60
Net income / (loss) for the period		1,712	(1,197)
Other comprehensive income		--	--
Total comprehensive income / (loss) for the period		1,712	(1,197)
Earnings / (loss) per share	17	0.02	(0.01)

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(Saudi Arabian Riyals in '000)
For the three-month period ended 31 March 2019

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
Balance as at 1 January 2019	900,000	--	(64,648)	835,352
Net profit for the period	--	--	1,712	1,712
Other comprehensive income	--	--	--	--
Total comprehensive income for the period	--	--	1,712	1,712
Transfer to statutory reserve	--	171	(171)	--
Zakat charge for the period (note 11)	--	--	(171)	(171)
Balance at 31 March 2019	900,000	171	(63,278)	836,893
Balance as at 1 January 2018	900,000	--	(81,314)	818,686
Impact of adopting IFRS 9 at 1 January 2018	--	--	3,693	3,693
Restated balance at 1 January 2018	900,000	--	(77,621)	822,379
Net loss for the period	--	--	(1,197)	(1,197)
Other comprehensive income	--	--	--	--
Total comprehensive loss for the period	--	--	(1,197)	(1,197)
Zakat charge for the period (note 11)	--	--	(900)	(900)
Balance at 31 March 2018	900,000	--	(79,718)	820,282

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOW (UNAUDITED)
(Saudi Arabian Riyals in '000)
For the three-month period ended 31 March 2019

	<u>Note</u>	For the three- month period ended 31 March 2019	For the three- month period ended 31 March 2018
Cash flows from operating activities:			
Net income / (loss) for the period		1,712	(1,197)
<i>Non-cash adjustments to reconcile net income / loss for the period to net cash used in operating activities:</i>			
Depreciation		754	348
Amortization		332	222
Finance charges		4,289	1,122
Provision for employees' end of service benefits		185	155
Impairment charge for credit losses		2,563	2,053
Realized gain on sale of investments held at FVTPL		<u>(58)</u>	<u>(60)</u>
		9,777	2,643
<i>(Increase) / decrease in operating assets</i>			
Ijara receivables		(24,383)	(90,616)
Deposits, prepayments and other receivables		(108,681)	1,253
<i>Increase / (decrease) in operating liabilities</i>			
Accrued expenses and other current liabilities		<u>92,566</u>	<u>16,026</u>
		(30,721)	(70,694)
Finance charges paid		(3,852)	(876)
Zakat paid		--	(12,430)
Net cash used in operating activities		<u>(34,573)</u>	<u>(84,000)</u>
Cash flows from investing activities			
Purchase of property and equipment		(162)	(529)
Purchase of intangible assets		(149)	(23)
Purchase of investments held at FVTPL		(30,000)	50,073
Proceeds from sale of investments held at FVTPL		83,058	--
Net cash generated from investing activities		<u>52,747</u>	<u>49,521</u>
Cash flows from financing activities			
Payment of lease liabilities		(445)	--
Proceeds from short-term financing		50,000	120,000
Repayment of short-term financing		(70,000)	-
Net cash (used in) / generated from financing activities		<u>(20,445)</u>	<u>120,000</u>
Net (decrease) / increase in cash and cash equivalents		<u>(2,271)</u>	<u>85,521</u>
Cash and cash equivalents at beginning of the period		14,440	21,653
Cash and cash equivalents at end of the period		<u>12,169</u>	<u>107,174</u>

The accompanying notes from 1 to 21 form an integral part of these condensed interim financial statements.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)

For the three-month period ended 31 March 2019

1. THE COMPANY AND THE NATURE OF OPERATIONS

Bidaya Home Finance Company (the "Company") 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 No. 1010432564 issued in Riyadh on 25 Jumada II 1436H (corresponding to 14 April 2015). The Company was granted a full license by Saudi Arabian Monetary Authority ("SAMA") to operate as a mortgage finance company vide license number 41/ش/ع /201512 dated 3 Rabi I 1437H (corresponding to 14 December 2015).

The objectives of the Company are to provide home financing to consumers for the purchase of homes (new homes, ready homes and off plan construction homes) and providing finance to home owners against security of their homes.

The registered office of the Company with its postal address is as follows:

Bidaya Home Finance Company
20th Floor of Ibdeh Tower
King Fahad Road
P.O. Box 93898
Riyadh 11683
Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

2.1 *Statement of compliance*

The condensed interim financial statements for the three months ended 31 March 2019 have been prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" as modified by SAMA for the accounting of zakat and income tax. The 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 annual financial statements as at 31 December 2018.

2.2 *Basis of measurement*

These condensed interim financial statements have been prepared under the historical cost convention, modified to include the measurement at fair value of investments held at FVTPL and investments held at FVOCI.

2.3 *Functional and presentation currency*

These condensed interim financial statements have been presented in Saudi Arabian Riyals (SAR), as it is the functional currency of the Company. Except as indicated, the financial information presented in SAR has been rounded-off to the nearest thousand.

2.4 *Order of liquidity*

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

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the three-month period ended 31 March 2019

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

Effective 1 January 2019, the Company has adopted International Financial Reporting Standards (“IFRS”) 16 – “Leases”. The accounting policy for this standard is disclosed in note 4 of these condensed interim financial statements. Significant judgments and estimates relating to IFRS 16 are also disclosed in note 4 of these condensed interim financial statements. The impact of the adoption of this standard is explained below:

IFRS 16 “Leases” replaces the existing guidance on leases, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Company’s Statement of Financial Position, unless the term is 12 months or less or the lease is in respect of a low value asset. Thus, the classification required under IAS 17 “Leases” into operating or finance leases is eliminated for lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, and which is amortized over the useful life.

The Company has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of the lease liability, using the Company’s incremental borrowing cost at the time of first time application. IFRS 16 transition disclosures also requires the Company to present the reconciliation of the off-balance sheet lease obligations as of 31 December 2018 to the recognized lease liabilities as of 1 January 2019, which is as follows:

Off-balance sheet lease obligations as of 31 December 2018	3,285
Current leases with a lease term of 12 months or less & low-value leases	(648)
Operating lease obligations as of 1 January 2019 (gross without discounting)	2,637
Discounting of lease liability using the Company’s incremental borrowing rate	(32)
Total lease liabilities as of 1 January 2019	2,605

The Company’s incremental borrowing rate used in discounting the lease liability is 4.93%

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the three-month period ended 31 March 2019

4. 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 except for the policies explained below. Based on the adoption of the new standard as explained in note 3, the following accounting policies are applicable effective 1 January 2019, replacing / amending or adding to the corresponding accounting policies set out in annual financial statements for the year ended 31 December 2018.

POLICY APPLICABLE FROM 1 JANUARY 2019

Right of Use Asset / Lease Liabilities

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of Use Assets

The Company applies the cost model, and measures right of use asset at cost;

- 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

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. After the commencement date, the Company measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability;
2. Reducing the carrying amount to reflect the lease payments made; and
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

POLICY APPLICABLE BEFORE 1 JANUARY 2019

Operating leases

Leases that do not transfer to the Company substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Consequently, all of the leases entered into by the Company are operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

5. CASH AND CASH EQUIVALENTS

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Cash in hand	<u>10</u>	<u>10</u>
Cash at bank – current accounts	<u>12,159</u>	<u>14,430</u>
	<u>12,169</u>	<u>14,440</u>

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the three-month period ended 31 March 2019

6. IJARA RECEIVABLES, NET

		31 March 2019	31 December
	<i>Note</i>	(Unaudited)	2018
		<u> </u>	<u> </u>
Gross Ijara receivables		2,667,188	2,545,006
Less: Unearned income		(1,278,671)	(1,180,872)
	6.1	<u>1,388,517</u>	<u>1,364,134</u>
Less: Impairment allowance for credit losses		(10,216)	(7,653)
Ijara receivables, net		<u>1,378,301</u>	<u>1,356,481</u>

6.1 The credit quality of Ijara receivables is as follows

		31 March 2019	31 December
		(Unaudited)	2018
		<u> </u>	<u> </u>
Neither past due nor impaired		1,076,547	1,125,935
Past due but not impaired		210,152	170,171
Impaired		101,818	68,028
		<u>1,388,517</u>	<u>1,364,134</u>

The fair value of collateral of impaired Ijara receivables held by the Company based on the appraisal at the time of origination was SR 130.35 million (31 December 2018: SR 86.88 million).

As at 31 March 2019, the ageing of past due but not impaired installments and the related balances of Ijara receivables are as follows:

	31 March 2019		31 December 2018	
	(Unaudited)		(Audited)	
	<u>Ijara</u>	<u>Past due</u>	<u>Ijara</u>	<u>Past due</u>
	<u>receivables</u>	<u>instalments</u>	<u>receivables</u>	<u>instalments</u>
01 – 30 days	86,202	707	82,739	1,089
31 – 60 days	59,433	676	69,268	1,555
61 –90 days	64,518	1,523	18,165	410
Total	<u>210,153</u>	<u>2,906</u>	<u>170,172</u>	<u>3,054</u>

6.2 The movement in the impairment allowance for credit losses for the period is as follows:

		31 March	31 December
		2019	2018
		(Unaudited)	(Audited)
		<u> </u>	<u> </u>
Beginning balance		7,653	6,034
Charge for the year		2,563	1,619
Ending balance		<u>10,216</u>	<u>7,653</u>

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)

For the three-month period ended 31 March 2019

6. IJARA RECEIVABLES, NET (CONTINUED)

The following table shows reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments.

	31 March 2019 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	<i>SAR in '000'</i>			
Ijara receivables				
Balance at 1 January	2,302	2,751	2,600	7,653
Transfer to 12-month ECL	56	(56)		--
Transfer to lifetime ECL not credit –impaired	(2,564)	2,564		--
Transfer to lifetime ECL credit impaired	(348)	(628)	976	--
Net charge for the period	2,286	(227)	504	2,563
Balance as at 31 December	1,732	4,404	4,080	10,216

	31 March 2018 (Unaudited)			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
	<i>SAR in '000'</i>			
Ijara receivables				
Balance at 1 January 2018	1,240	2,332	2,461	6,033
Net charge for the period	182	1,289	583	2,054
Balance as at 31 March 2018	1,422	3,621	3,044	8,087

6.3 The maturity of Ijara receivables based on contractual maturity is as follows:

	31 March 2019 (Unaudited)			Total
	Not later than one year	Later than one year but not later than five years	Later than five years	
Ijara receivables	136,292	390,663	2,140,233	2,667,188
Unearned income	(88,772)	(250,445)	(939,454)	(1,278,671)
	47,520	140,218	1,200,779	1,388,517
Impairment allowance for credit losses				(10,216)
				<u>1,378,301</u>

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)

For the three-month period ended 31 March 2019

6. IJARA RECEIVABLES, NET (CONTINUED)

	31 December 2018 (Audited)			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Ijara receivables	148,135	429,344	1,967,527	2,545,006
Unearned income	(102,277)	(281,309)	(797,286)	(1,180,872)
	45,858	148,035	1,170,241	1,364,134
Impairment allowance for credit losses				(7,653)
				<u>1,356,481</u>

The Company's implicit rate of return on Ijara receivables ranges between approximately 4.84% to 12.15% per annum (31 December 2018: 4.84% to 12% per annum). Term of Ijara receivables ranges from five to thirty years.

7. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<i>Notes</i>	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Markup Receivable		14,184	11,322
Prepayments		4,354	4,787
Deferred sales commission		3,765	3,264
Security deposit		270	270
Other receivables	7.1	65,689	962
VAT rebate receivable from Ministry of Housing	7.2, 18	40,357	--
		<u>128,619</u>	<u>20,605</u>

7.1 Other receivables include receivable from sale of Ijara receivables amounting to SR 64.5 million.

7.2 This represents the receivable from Ministry of Housing (MOH) against the VAT payable by the Company on the portion of Ijarah financing originated subject to VAT relief for first home buyers.

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<i>Notes</i>	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Accounts payables		4,315	20,334
Down payment against Ijara financing		3,370	10,438
Accrued expenses		7,916	6,844
Directors' remuneration and meeting expenses		2,300	1,850
Deferred management fee		--	36
Deferred commission income		15,229	17,251
Salaries and employee related benefits		--	--
Payable to Ministry of Housing (MOH)		224,522	148,109
VAT payable to General Authority of Zakat and Taxation ("GAZT")	8.1, 18	40,357	--
		<u>298,009</u>	<u>204,862</u>

8.1. This represents VAT payable to GAZT on the portion of Ijarah financing originated where VAT relief is available for first home buyers.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the three-month period ended 31 March 2019

9. SHORT-TERM FINANCING

This represents borrowings obtained from a financial institution based in the Kingdom of Saudi Arabia and are secured by the assignment of proceeds from certain Ijara receivables and pledge of title deeds of underlying real estate assets. These borrowings are revolving in nature and carry markup at commercial market rates and are repayable during the year 2019.

10. DEBT SECURITIES

As at 31 March 2019, the Company issued unsecured non-convertible unlisted sukuk amounting to SR 350 million (31 December 2018: SR 350 million) carrying a profit at agreed fixed rates payable semi-annually. Out of the sukuks issued, SR 250 million will mature in the year 2019 and the remaining SR 100 million will mature in the year 2020.

11. ZAKAT

During the three-month period ended 31 March 2019, the Company has made a zakat provision of SR 0.17 million (31 March 2018: 0.9 million).

12. SHARE CAPITAL

As at 31 March 2019, the authorised, issued and fully paid-up share capital of the Company was SR 900 million (31 December 2018: SR 900 million) divided into 90 million shares (31 December 2018: SR 90 million) with a nominal value of SR 10 each, as follows:

<u>Name of shareholders</u>	<u>Number of shares 000's</u>	<u>Holding Percentage (%)</u>	<u>Amount SR'000</u>
Public Investment Fund	20,000	22.2	200,000
Islamic Corporation for Development	18,000	20.0	180,000
Rashed Al Rashed and Sons	15,300	17.0	153,000
Mohammad Yousef Naghi Motors	10,000	11.1	100,000
Arab Investment Company	10,000	11.1	100,000
Al Othaim Holding	10,000	11.1	100,000
Al Khereji Investments	3,200	3.6	32,000
Manafea Holding Company	2,000	2.2	20,000
Jawahir Investment Company	1,500	1.7	15,000
	90,000	100	900,000

13. STATUTORY RESERVES

In accordance with the Company's Articles of Association and the new Saudi Arabian Regulations for Companies which came into effect on 25 Rajab 1437H (corresponding to 2 May 2016), the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital.

14. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three- month period ended 31 March 2019 (Unaudited)	For the three- month period ended 31 March 2018 (Unaudited)
Salaries and employee related expenses	7,499	5,449
Professional fees	1,428	709
Rent and premises related expenses	267	679
Directors' remuneration and meeting expenses	470	431
IT expenses	2,161	567
Repair and maintenance and other expenses	1,972	864
	13,797	8,699

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)

For the three-month period ended 31 March 2019

15. SELLING AND MARKETING EXPENSES

	For the three-month period ended 31 March 2019 (Unaudited)	For the three-month period ended 31 March 2018 (Unaudited)
Advertising and marketing expenses	914	924
Salaries and employee related expenses	1,414	1,629
Financed property evaluation and Takaful	1,761	1,174
	4,089	3,727

16. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include the shareholders and their 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 includes the Chief Executive Officer ("CEO") and the personnel directly reporting to the CEO. Entity under common management has the Chairman of the Board who is the CEO of the Company.

The significant transactions with related parties during the period and the related balances are as follows:

<u>Name of related party</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	<u>Amount of transactions for the three-month ended 31 March 2019 (Unaudited)</u>	<u>Amount of transactions for the three-month ended 31 March 2018 (Unaudited)</u>
Naif Saleh Ali Al Hamdan	Chairman	Installment payment for Ijara financing	31	--
			Balance at 31 March 2019 (Unaudited)	Balance at 31 December 2018 (Audited)
Saudi Finance Lease Registry Company (SIJIL)	Common Management	Investment held at FVOCI	893	893
Naif Saleh Ali Al Hamdan	Chairman	Ijara financing	1,649	1,680

The amount of compensations recorded in favor of or paid to the Board of Directors and the executive management personnel during the period are as follows:

<u>Name of related parties</u>	<u>Nature of transactions</u>	<u>Amount of transactions for the three-month ended 31 March 2019 (Unaudited)</u>	<u>Amount of transactions for the three-month ended 31 March 2018 (Unaudited)</u>
Key Management Personnel	Salaries and benefits	1,469	1,670
	Provision for end of service benefits	56	63
	Directors' remuneration and meeting expenses	470	431

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the three-month period ended 31 March 2019

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

<u>Name of related parties</u>	<u>Nature of transactions</u>	Balance at 31 March 2019 (Unaudited)	Balance at 31 December 2018 (Audited)
Key Management Personnel	Salaries and benefits	--	--
	Provision for end of service benefits	783	712
	Directors' remuneration and meeting expenses	2,300	1,850

17. EARNINGS / (LOSS) PER SHARE

Earnings / (loss) per share for the period is calculated by dividing net income / (loss) for the period by the weighted average number of shares (90 million shares) in issue during the period.

18. COMMITMENTS

Contingencies

The GAZT has imposed a penalty of SR 2.73 million on the Company relating to GAZT's determination of VAT underpaid amounting to SR 4.97 million during the period 1 January to 31 March 2018 following an assessment of that period's return. The VAT in question relates to the first SR 850,000 of the purchase price of a home by a first time buyer which, under guidance subsequently issued by GAZT, is required to be paid to GAZT by the lender and then reclaimed from Ministry of Housing. The Company has objected to this treatment and has therefore not made the payments which GAZT claims is due.

The Company has formally appealed against the imposition of this penalty by GAZT. The Company believes that the appeal against the penalty will be successful on the basis that it has not acted unreasonably in this regard and that the penalty is retrospective given that the GAZT guidance only became effective after the assessment period. For this reason, the Company has not recognized the penalty in the period ended 31 March 2019 as it does not believe the payment of the penalty to be probable given the case the Company intends to take to appeal. Recognition of this amount is contingent on the Company losing its appeal in this regard. Subsequent to the reporting date, as required under the appeals procedure specified by the GAZT, the Company has submitted a bank guarantee for the items appealed against amounting to SR 7.72 million.

Commitments

The Company has facilities approved but not utilized, 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 49.47 million (31 December 2018: SR 74.22 million).

19. 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.

The principal or the most advantageous market must be accessible to by the Company.

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, investments held at FVTPL, investments held at FVOCI, Ijara receivables, and deposits and other receivables. Financial liabilities consist of short-term financing, debt securities, and accrued expenses and other current liabilities.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the three-month period ended 31 March 2019

19. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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. Assets at fair values are as follows:

31 March 2019 (Unaudited)					
<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
<u>Financial assets measured at fair value</u>					
Investments held at FVOCI	893	--	--	893	893
	<u>893</u>	<u>--</u>	<u>--</u>	<u>893</u>	<u>893</u>
31 December 2018 (Audited)					
<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
<u>Financial assets measured at fair value</u>					
Investments held at FVTPL	53,000	--	53,000	--	53,000
Investments held at FVOCI	893	--	--	893	893
	<u>893</u>	<u>--</u>	<u>--</u>	<u>893</u>	<u>893</u>
31 March 2019 (Unaudited)					
<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
<u>Financial assets not measured at fair value</u>					
Cash and cash equivalents	12,169	12,169	--	--	12,169
Ijara receivables	1,378,301	--	--	1,179,091	1,179,091
Deposits and other receivables	80,143	--	--	80,143	80,143
	<u>1,470,613</u>	<u>12,169</u>	<u>--</u>	<u>1,259,234</u>	<u>1,271,403</u>
31 December 2018					
<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
<u>Financial assets not measured at fair value</u>					
Cash and bank balance	14,440	14,440	--	-	14,440
Ijara receivables	1,356,481	--	--	1,245,873	1,245,873
Deposits and other receivables	12,554	--	--	12,554	12,554
	<u>1,383,475</u>	<u>14,440</u>	<u>--</u>	<u>1,258,427</u>	<u>1,272,867</u>

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Saudi Arabian Riyals in '000)
For the three-month period ended 31 March 2019

19. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

<u>Financial liabilities not measured at fair value</u>	31 March 2019 (Unaudited)				
	<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short term financing	50,000	--	--	50,000	50,000
Debt securities	350,000	--	--	350,000	350,000
Accrued expenses and other current liabilities	<u>242,423</u>	--	--	<u>242,423</u>	<u>242,423</u>
	<u>642,423</u>	--	--	<u>642,423</u>	<u>642,423</u>

<u>Financial liabilities not measured at fair value</u>	31 December 2018				
	<u>Carrying value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short term financing	70,000	--	--	70,000	70,000
Debt securities	350,000	--	--	350,000	350,000
Accrued expenses and other current liabilities	<u>187,575</u>	--	--	<u>187,575</u>	<u>187,575</u>
	<u>607,575</u>	--	--	<u>607,575</u>	<u>607,575</u>

Investments held at FVTPL is investment in units of mutual funds which have been valued based on net assets value reported by the Fund Manager.

The fair value of Ijara receivables is based on actual cash flows discounted by average period end internal rate of return, and is not evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets, hence the fair value of Ijara receivables is classified under level 3.

During the three-month period ended 31 March 2019, there were no transfers into or out of Level 3.

20. SEGMENT INFORMATION

The Company's objective is to provide financing for real estate leases in the Kingdom of Saudi Arabia. All assets, liabilities and operations as reflected in the condensed interim statement of financial position and condensed interim statement of profit or loss and other comprehensive income belongs to the real estate financing segment.

21. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved for issue by the Board of Directors' on 23 April 2019 (corresponding to 18 Sha'ban 1440H).