

MASAR ALNUMOU FINANCE AND ITS SUBSIDIARY
(FORMERLY “DEUTSCHE GULF FINANCE”)
(A Saudi Closed Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30
SEPTEMBER 2023



Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

C.R. No. 1010383821

Tel: +966 11 215 9898

+966 11 273 4740

Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MASAR ALNUMOU FINANCE (FORMERLY, DEUTSCHE GULF FINANCE) (A SAUDI CLOSED JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Masar AlNumou Finance (formerly, Deutsche Gulf Finance) ("the Company") and its subsidiary (collectively referred to as "the Group") as at 30 September 2023 and the related interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

Hesham A. Alatiqi
Certified Public Accountant
License No. (523)

Riyadh: 11 Rabi Al-Thani 1445H
(26 October 2023)



MASAR ALNUMOU FINANCE
(FORMERLY “DEUTSCHE GULF FINANCE”)
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2023
(Saudi Arabian Riyals)

| | | 30 September 2023 | 31 December 2022 |
|---|--------------|------------------------------|----------------------|
| | <u>Notes</u> | <u>(Unaudited)</u> | <u>(Audited)</u> |
| ASSETS | | | |
| Cash and cash equivalents | 5 | 17,452,121 | 25,632,951 |
| Other assets | 6 | 124,864,952 | 276,887,682 |
| Ijara receivables, net | 7 | 2,037,525,052 | 1,938,451,178 |
| Servicing rights under agency arrangements | 8 | 55,714,971 | 60,583,493 |
| Financial assets held at fair value through other comprehensive income – equity instrument | | 892,850 | 892,850 |
| Property and equipment | | 31,853,499 | 33,299,305 |
| Intangible assets | | 13,581,551 | 2,039,572 |
| TOTAL ASSETS | | <u>2,281,884,996</u> | <u>2,337,787,031</u> |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| Financing facilities | 9 | 1,446,161,107 | 1,454,023,125 |
| Provision for zakat and income tax | 10 | 1,957,557 | 7,528,312 |
| Accounts and other payables | | 855,455 | 1,191,342 |
| Dividend payable | 16 | 1,105,786 | 748,262 |
| Accrued expenses and other liabilities | 11 | 120,988,265 | 120,571,081 |
| Employees' end of service benefits | | 5,664,439 | 5,486,208 |
| TOTAL LIABILITIES | | <u>1,576,732,609</u> | <u>1,589,548,330</u> |
| EQUITY | | | |
| Share capital | 13 | 575,000,000 | 575,000,000 |
| Statutory reserve | | 28,220,395 | 28,220,395 |
| Retained earnings | | 105,885,212 | 148,971,526 |
| Treasury shares | | (3,953,220) | (3,953,220) |
| TOTAL EQUITY | | <u>705,152,387</u> | <u>748,238,701</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>2,281,884,996</u> | <u>2,337,787,031</u> |

The attached notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

MASAR ALNUMOU FINANCE
(FORMERLY “DEUTSCHE GULF FINANCE”)
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

For the three-month and nine-month periods ended 30 September 2023
(Saudi Arabian Riyals)

| | <u>Notes</u> | For the three-month period ended 30 September | | For the nine-month period ended 30 September | |
|--|--------------|--|-------------|---|-------------|
| | | 2023 | 2022 | 2023 | 2022 |
| INCOME | | | | | |
| Income from Ijara receivables | | 42,886,775 | 43,535,048 | 127,748,709 | 135,393,207 |
| Realised gain on sale, settlement or early termination of Ijara receivable | | 1,345,426 | 2,268,245 | 10,260,028 | 11,816,829 |
| Servicing fees | | 9,680,651 | 12,636,371 | 13,018,565 | 19,742,607 |
| TOTAL INCOME | | 53,912,852 | 58,439,664 | 151,027,302 | 166,952,643 |
| EXPENSES AND ALLOWANCES | | | | | |
| Financial charges | | 29,366,387 | 19,107,521 | 82,725,971 | 47,512,237 |
| Employees benefits and compensation | 14 | 9,752,980 | 10,485,146 | 29,275,945 | 29,978,167 |
| Allowance / (reversal) for expected credit losses on Ijara receivables | | 1,097,987 | (923,037) | 3,236,492 | (1,794,378) |
| Depreciation | | 639,193 | 474,710 | 1,439,388 | 1,347,936 |
| Amortisation | | 229,358 | 314,032 | 457,971 | 702,407 |
| Other expenses | | 6,801,601 | 8,707,126 | 24,398,721 | 23,117,543 |
| TOTAL EXPENSES AND ALLOWANCES | | 47,887,506 | 38,165,498 | 141,534,488 | 100,863,912 |
| NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX | | | | | |
| | | 6,025,346 | 20,274,166 | 9,492,814 | 66,088,731 |
| Zakat and income tax | 10 | (1,242,538) | (2,376,394) | (3,704,128) | (7,766,799) |
| NET INCOME FOR THE PERIOD | | 4,782,808 | 17,897,772 | 5,788,686 | 58,321,932 |
| Other comprehensive income | | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 4,782,808 | 17,897,772 | 5,788,686 | 58,321,932 |

The attached notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

MASAR ALNUMOU FINANCE
(FORMERLY “DEUTSCHE GULF FINANCE”)

(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)

For the nine-month period ended 30 September 2023

(Saudi Arabian Riyals)

| | Share capital | Statutory reserve | Retained earnings | Treasury shares | Total |
|---|---------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| Balance as at 31 December 2022 (audited) | 575,000,000 | 28,220,395 | 148,971,526 | (3,953,220) | 748,238,701 |
| Net income and total comprehensive income for the period | -- | -- | 5,788,686 | -- | 5,788,686 |
| Dividend declared during the period (note 16) | -- | -- | (48,875,000) | -- | (48,875,000) |
| Balance as at 30 September 2023 (unaudited) | <u>575,000,000</u> | <u>28,220,395</u> | <u>105,885,212</u> | <u>(3,953,220)</u> | <u>705,152,387</u> |
| Balance as at 31 December 2021 (audited) | 575,000,000 | 20,943,384 | 126,603,423 | -- | 722,546,807 |
| Net income and total comprehensive income for the period | -- | -- | 58,321,932 | -- | 58,321,932 |
| Dividend declared during the period (note 16) | -- | -- | (43,125,000) | -- | (43,125,000) |
| Balance as at 30 September 2022 (unaudited) | <u>575,000,000</u> | <u>20,943,384</u> | <u>141,800,355</u> | <u>--</u> | <u>737,743,739</u> |

The attached notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

MASAR ALNUMOU FINANCE
(FORMERLY “DEUTSCHE GULF FINANCE”)
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine-month period ended 30 September 2023
(Saudi Arabian Riyals)

| | Notes | For the nine-month period ended 30 September | |
|---|-------|---|----------------------|
| | | 2023 | 2022 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Net income for the period before zakat and income tax | | 9,492,814 | 66,088,731 |
| <i>Adjustments:</i> | | | |
| Depreciation | | 1,439,388 | 1,347,936 |
| Amortisation | | 457,971 | 702,407 |
| Employees’ end of service benefits charge | | 1,211,461 | 1,050,000 |
| Expected credit losses on Ijara receivables | 7 | 3,236,492 | (1,794,378) |
| Finance costs on lease liabilities | | 35,310 | 41,407 |
| Finance costs on financing facilities | | 82,725,971 | 47,512,237 |
| | | 98,599,407 | 114,948,340 |
| <i>Net (increase) / decrease in operating assets</i> | | | |
| Ijara receivables | | (102,310,366) | 282,013,554 |
| Other assets | | 152,022,729 | 1,244,591 |
| Servicing rights under agency agreement | | 4,868,522 | (10,063,732) |
| Due from an affiliated company | | - | (8,649,613) |
| <i>Net increase / (decrease) in operating liabilities</i> | | | |
| Accounts and other payables | | (335,886) | 537,065 |
| Accrued expenses and other liabilities | | 671,662 | 69,541,076 |
| | | 153,516,068 | 449,571,281 |
| Employees’ end of service benefits paid | | (1,033,230) | (271,924) |
| Zakat paid | | (9,274,883) | (9,869,298) |
| Net cash flows from operating activities | | 60,481,984 | 391,917,822 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property and equipment | | (1,190,698) | (3,456,401) |
| Acquisition of Intangible assets | | (10,802,835) | (968,604) |
| Net cash flows used in investing activities | | (11,993,533) | (4,425,005) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from financing facilities | | 397,084,515 | 667,725,725 |
| Repayment of financing facilities | | (406,599,856) | (937,453,407) |
| Payment of lease liabilities | | (289,788) | (210,000) |
| Finance costs paid on financing facilities | | (81,072,648) | (47,533,579) |
| Dividend paid | 16 | (48,517,475) | (42,771,708) |
| Net cash flows used in financing activities | | (139,395,252) | (360,242,969) |
| Net (decrease) increase in cash and cash equivalents | | (8,180,830) | 74,762,085 |
| Cash and cash equivalents at beginning of the period | | 25,632,951 | 14,406,536 |
| Cash and cash equivalents at end of the period | 5 | 17,452,121 | 89,168,621 |

The attached notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

MASAR ALNUMOU FINANCE

(FORMERLY “DEUTSCHE GULF FINANCE”)

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2023

(Saudi Arabian Riyals)

1. CORPORATE INFORMATION

Masar AlNumou Finance (“the Company”), (formerly known as Deutsche Gulf Finance), is a Saudi closed joint stock company established pursuant to a ministerial resolution numbered 3/Q dated 6 Muharram 1431H (corresponding to 23 December 2009) and registered in the Kingdom of Saudi Arabia under commercial registration number 1010280521 dated 9 Safar 1431H (corresponding to 25 January 2010). The Company has a branch in Jeddah registered under commercial registration number 4030245681 dated 19 Jumada Thani 1434H (corresponding to 29 April 2013) and a branch in Al Khobar registered under commercial registration number 2051052773 dated 19 Jumada Thani 1434H (corresponding to 29 April 2013). The registered office of the Company is located at Al Imam Saud Ibn Faysal Road – Al Sahafah District, P.O. Box 75370, Riyadh 13321, Kingdom of Saudi Arabia.

On 18 Rabi Al Awal 1445H (corresponding to 3 October 2023), the Company’s name has been changed from Deutsche Gulf Finance to Masar AlNumou Finance and the revised commercial registration certificate has been issued.

The Company is engaged in real estate financing that includes acquisition, purchase of lands and buildings for the purposes of financing facilities, in accordance with license number 2030114773 dated 2 Dhul- Qadah 1430H (corresponding to 21 October 2009) as obtained from the Saudi Arabian General Investment Authority.

The Saudi Central Bank (“SAMA”) issued the Implementing Regulations of the Law on Supervision of Finance Companies which was published on 24 February 2013 following the Financial Lease Law and the Law on Supervision of Finance Companies (“the laws”) published on 27 August 2012. The Company was issued a license (number 17/A SH/201405) from SAMA on 20 May 2014 (corresponding to 21 Rajab 1435H). During the period, the Company was issued a license (number 17/AA/201405) from SAMA for financing to small and medium enterprise and consumer financing in Kingdom of Saudi Arabia in accordance with Finance Companies Control law.

During 2022, one of the existing shareholders of the Company purchased all of the shares of the foreign shareholder and the Company type changed from mixed joint stock company to Saudi closed joint stock company.

During 2022, the Group acquired 100% of shareholding in Gulf Company for Acquisition (“the Subsidiary”) incorporated in Kingdom of Saudi Arabia, from a related party. The subsidiary operates under commercial registration number 1010295256. The primary business is to hold title deeds of the assets on behalf of the Company. The Group comprises of the Company and its wholly owned subsidiary.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements comprise the financial statements of Masar AlNumou Finance Financial Statements and its wholly owned subsidiary – Gulf Company for Acquisition (collectively referred to as a “the Group”).

Statement of compliance

The interim condensed consolidated financial statements of the Group as at and for the period ended 30 September 2023 have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (“SOCPA”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in full consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022. In addition, results for the three-month and nine-month periods ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

MASAR ALNUMOU FINANCE
(FORMERLY “DEUTSCHE GULF FINANCE”)
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
At 30 September 2023
(Saudi Arabian Riyals)

2. BASIS OF PREPARATION (CONTINUED)

Basis of measurement

These interim condensed consolidated financial statements are prepared under the historical cost convention except for the investment, which is measured at fair value through other comprehensive income (“FVOCI”).

Functional and presentational currency

The interim condensed consolidated financial statements are presented in Saudi Arabian Riyals, which is the functional and presentational currency of the Group.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

3.1. The material accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the new standards and amendments effective from 1 January 2023.

3.2. New standards and amendments to standards

New standards and amendments adopted by the Group

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Various amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (effective for annual periods beginning on or after 1 January 2023).
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction (effective for annual periods beginning on or after 1 January 2023).
- Amendment to IAS 12 - International tax reform - pillar two model disclosure.
- Amendments to IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial (effective for annual periods beginning on or after 1 January 2023)
- IFRS 17, ‘Insurance contracts’, as amended in December 2021 (effective for annual periods beginning on or after 1 January 2023).

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s interim condensed consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IAS 1, Presentation of financial statements’, on classification of liabilities (deferred until accounting periods starting not earlier than 1 January 2024).
- Amendment to IFRS 16, Lease Liability in a Sale and Leaseback, adding subsequent measurement requirements for sale and leaseback transactions (annual periods beginning on or after 1 January 2024)
- Amendments to IAS 1, Non-current Liabilities with Covenants (annual periods beginning on or after 1 January 2024).
- Amendments to IAS 7 and IFRS 7 - Supplier finance arrangement (annual periods beginning on or after 1 January 2024).
- IFRS S1 and S2 - General requirements for disclosure of sustainability-related financial information (annual periods beginning on or after 1 January 2024).
- Amendments to IAS 21 – Lack of exchangeability (annual periods beginning on or after 1 January 2024).
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (annual periods beginning on or after 1 January 2024).

MASAR ALNUMOU FINANCE
(FORMERLY “DEUTSCHE GULF FINANCE”)
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
At 30 September 2023
(Saudi Arabian Riyals)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The significant accounting judgements and estimates used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

5. CASH AND CASH EQUIVALENTS

| | | 30 September 2023 | 31 December 2022 |
|----------------------------------|-------------|------------------------------|---------------------|
| | <i>Note</i> | (Unaudited) | (Audited) |
| Bank balances – current accounts | 5(a) | <u>17,452,121</u> | <u>25,632,951</u> |
| | | <u>17,452,121</u> | <u>25,632,951</u> |

5(a) This represents cash with banks who have investment grade credit ratings, as rated by the international rating agencies.

6. OTHER ASSETS

| | | 30 September 2023 | 31 December 2022 |
|---|--------------|------------------------------|---------------------|
| | <i>Notes</i> | (Unaudited) | (Audited) |
| Ijara mawsofa fi athemmah | 6(a) | 32,312,553 | 30,563,671 |
| Advance paid under protest to ZATCA | 6(b) | 29,446,658 | 29,446,658 |
| Financing to customers | 6(c) | 25,237,494 | 40,834,837 |
| Service fee receivables | | 13,635,522 | 4,989,661 |
| Amount paid to ZATCA for years under assessment | | 8,797,654 | 8,797,654 |
| Value added tax recoverable | | 3,618,279 | 5,995,345 |
| Accelerated income tax payment | | 3,558,244 | 2,599,888 |
| Prepaid expenses | | 2,247,969 | 2,834,076 |
| Receivables from Real Estate Development Fund | | 1,225,000 | 1,225,000 |
| Receivable against sale of portfolio | | - | 147,930,820 |
| Others | | 4,785,579 | 1,670,072 |
| | | <u>124,864,952</u> | <u>276,887,682</u> |

6(a) Ijarah mawsufah fi athemmah is a lease contract under which the Group leases out a property under construction and the lessee is required to pay rent during the construction period.

6(b) During 2021, ZATCA issued an assessment on VAT returns for the period from January 2018 to December 2019 and claimed an additional VAT amount of SR 29.47 million excluding the penalties. The Group paid the amount during the amnesty period to avoid penalties and recorded the amount as receivable from ZATCA. The Group also filed an appeal clarifying its position on the assessment received from ZATCA which was reduced from SR 29.47 million to 17.09 million in 2022 against which the Group recognised a provision of SR 11.5 million. During the current period, the Appellate Committee has rejected the Group appeals. The Group has decided to submit reconsideration requests in front of the Appellate Committee.

6(c) This includes advance paid to customers for which the title deeds have not been transferred yet.

MASAR ALNUMOU FINANCE

(FORMERLY “DEUTSCHE GULF FINANCE”)

(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

At 30 September 2023

(Saudi Arabian Riyals)

7. IJARA RECEIVABLES, NET

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|--|----------------------------------|
| Gross Ijara receivables | 3,225,859,392 | 2,980,221,421 |
| Less: Unearned income | (1,156,764,587) | (1,012,763,074) |
| | 2,069,094,805 | 1,967,458,347 |
| Less: Allowance for expected credit losses | (31,569,753) | (29,007,169) |
| Ijara receivables, net | 2,037,525,052 | 1,938,451,178 |

7(a) The maturity of the Ijara receivables held is as follows:

| | 30 September 2023 (Unaudited) | | | |
|--|--------------------------------------|--|----------------------------------|------------------------|
| | Not later than one year | Later than one year but not later than five years | Later than five years | Total |
| Gross Ijara receivables | 418,606,894 | 896,905,889 | 1,910,346,609 | 3,225,859,392 |
| Less: Unearned income | (158,017,924) | (382,976,594) | (615,770,069) | (1,156,764,587) |
| | 260,588,970 | 513,929,295 | 1,294,576,540 | 2,069,094,805 |
| Less: Allowance for expected credit losses | | | | (31,569,753) |
| Ijara receivables, net | | | | 2,037,525,052 |

| | 31 December 2022 (Audited) | | | |
|--|------------------------------------|--|----------------------------------|-----------------|
| | Not later than one year | Later than one year but not later than five years | Later than five years | Total |
| Gross Ijara receivables | 433,715,411 | 1,020,307,787 | 1,526,198,223 | 2,980,221,421 |
| Less: Unearned income | (141,075,759) | (387,994,610) | (483,692,705) | (1,012,763,074) |
| | 292,639,652 | 632,313,177 | 1,042,505,518 | 1,967,458,347 |
| Less: Allowance for expected credit losses | | | | (29,007,169) |
| Ijara receivables, net | | | | 1,938,451,178 |

MASAR ALNUMOU FINANCE
(FORMERLY “DEUTSCHE GULF FINANCE”)
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
At 30 September 2023
(Saudi Arabian Riyals)

7. IJARA RECEIVABLES, NET (CONTINUED)

7(b) Expected credit loss allowance on Ijara receivables is as follows:

| | 12 Month ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | Total |
|---|------------------|---|---|-------------------|
| 30 September 2023 – (Unaudited) | | | | |
| Opening balance | 2,217,939 | 13,921,365 | 12,867,865 | 29,007,169 |
| Transfer from 12 Month ECL | (427,245) | 375,321 | 51,924 | - |
| Transfer from lifetime ECL (not credit impaired) | 3,814,521 | (5,921,365) | 2,106,844 | - |
| Transfer from lifetime ECL (credit impaired) | 178,669 | 1,852,799 | (2,031,468) | - |
| Net re-measurement of loss allowance | (4,075,994) | 1,812,494 | 2,475,237 | 211,737 |
| Ijara receivables that have been derecognized during the period | (177,620) | (682,791) | (2,067,376) | (2,927,787) |
| New Ijara receivables originated during the period | 583,669 | 1,881,579 | 3,487,294 | 5,952,542 |
| Write- Offs | - | - | (673,908) | (673,908) |
| Closing balance | 2,113,939 | 13,239,402 | 16,216,412 | 31,569,753 |

| | 12 Month ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | Total |
|---|------------------|---|---|-------------------|
| 31 December 2022 – (Audited) | | | | |
| Opening balance | 3,392,270 | 18,829,468 | 11,936,363 | 34,158,101 |
| Transfer from 12 Month ECL | (470,374) | 420,922 | 49,452 | - |
| Transfer from lifetime ECL (not credit impaired) | 6,365,745 | (8,686,229) | 2,320,484 | - |
| Transfer from lifetime ECL (credit impaired) | 1,483,175 | 954,553 | (2,437,728) | - |
| Net re-measurement of loss allowance | (8,121,328) | 4,170,142 | 4,973,741 | 1,022,555 |
| Ijara receivables that have been derecognized during the period | (1,070,595) | (3,180,555) | (2,326,015) | (6,577,165) |
| New Ijara receivables originated during the period | 639,046 | 1,413,064 | 709,385 | 2,761,495 |
| Write-offs | - | - | (2,357,817) | (2,357,817) |
| Closing balance | 2,217,939 | 13,921,365 | 12,867,865 | 29,007,169 |

MASAR ALNUMOU FINANCE
(FORMERLY “DEUTSCHE GULF FINANCE”)
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
At 30 September 2023
(Saudi Arabian Riyals)

8. SERVICING RIGHTS UNDER AGENCY ARRANGEMENTS

The Group enters into arrangements for servicing Ijara receivables on behalf of third parties. Such Ijara receivables represent instruments initially originated by the Group and subsequently sold to third party. The Group acts in the sole capacity of servicing agent represented by activities such as collection of Ijara receivables rentals on behalf of the principals.

9. FINANCING FACILITIES

These represent financing facilities from local lenders at SIBOR plus margin, which are secured by the assignment of proceeds from financial assets.

10. ZAKAT AND INCOME TAX

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

| | 30 September 2023 (Unaudited) | | |
|---|--------------------------------------|-------------------|------------------|
| | <u>Zakat</u> | <u>Income tax</u> | <u>Total</u> |
| Balance at the beginning of the period | 7,972,685 | (444,373) | 7,528,312 |
| Charge for the period | 3,704,128 | -- | 3,704,128 |
| Payments made during the period | (9,274,883) | -- | (9,274,883) |
| Balance as at end of the period | <u>2,401,930</u> | <u>(444,373)</u> | <u>1,957,557</u> |
| | 31 December 2022 (Audited) | | |
| | <u>Zakat</u> | <u>Income tax</u> | <u>Total</u> |
| Balance at the beginning of the year | 6,449,848 | 6,498,618 | 12,948,466 |
| Charge for the year | 7,558,711 | 740,587 | 8,299,298 |
| Reversal of zakat liability during the year | (6,035,874) | (3,833,425) | (9,869,299) |
| Payments made during the year | -- | (3,850,153) | (3,850,153) |
| Balance as at end of the year | <u>7,972,685</u> | <u>(444,373)</u> | <u>7,528,312</u> |

10(b) Status of assessments:

Zakat and income tax declaration for all the years up to 2022 have been filed with the Zakat, Tax and Custom Authorities (“ZATCA”) and acknowledgement certificates have been obtained.

During the period ended 30 September 2023, there has been no change in the status of the Group’s zakat and income tax assessments from the status disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2022.

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11. ACCRUED EXPENSES AND OTHER LIABILITIES

| | <i>Notes</i> | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|--------------|--|----------------------------------|
| Instalments collected from sold Ijara receivables | <i>11(a)</i> | 35,226,818 | 32,084,065 |
| SAMA deposit, net | | 10,072,982 | 30,231,131 |
| Amount received from customers | <i>11(b)</i> | 31,869,395 | 8,083,419 |
| Accrued and other expenses | | 12,762,880 | 20,629,193 |
| Provision for VAT | <i>6(b)</i> | 11,500,000 | 11,500,000 |
| Payable to Ministry of Housing | | 10,846,158 | 11,237,158 |
| Advances from customers – Ijara mawsofa fi athemmah | | 7,845,782 | 5,711,524 |
| Lease liabilities | <i>11(c)</i> | 864,250 | 1,094,591 |
| | | <u>120,988,265</u> | <u>120,571,081</u> |

11(a) This represents the amount of instalments collected by the Group on behalf of buyers of previously sold financial assets.

11(b) This primarily represents down payment received from customers and payable to customers related to excess amount received for early termination settlements and instalments.

11(c) This represents amount of lease liability as per IFRS 16 for the rented offices of the Group.

12. RELATED PARTIES TRANSACTIONS AND BALANCES

The Company’s shareholders, affiliates and key management personnel are considered as related parties of the Group. In the ordinary course of business, the Group enters into transactions with its related parties, which are based on prices and contract terms approved by the Group’s management and agreed with the related parties.

Following are the details of significant related party transactions during the period:

| <u>Related party</u> | <u>Nature of transaction</u> | <u>For the three-month period ended 30 September</u> | | <u>For the nine-month period ended 30 September</u> | |
|--------------------------|-------------------------------------|--|----------------------------|---|----------------------------|
| | | <u>2023</u> (Unaudited) | <u>2022</u> (Unaudited) | <u>2023</u> (Unaudited) | <u>2022</u> (Unaudited) |
| Board of directors | Board remuneration | 1,033,659 | 612,500 | 2,272,411 | 1,837,500 |
| Key management personnel | Employee benefits and compensation: | | | | |
| | - Remuneration | 1,319,870 | 987,297 | 4,071,622 | 3,180,889 |
| | - End of service benefits | 40,850 | 61,526 | 389,831 | 151,231 |

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12. RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

The following related party balances are included in the statement of financial position:

| <u>Related party</u> | <u>Nature of balance</u> | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--------------------------|------------------------------------|--|----------------------------------|
| Board of directors | Board remuneration payable | 1,925,500 | 2,340,630 |
| Key management personnel | Remuneration payable | - | 1,907,298 |
| | Employees’ end of service benefits | 930,778 | 831,225 |

13. SHARE CAPITAL

As at 30 September 2023, the authorised, issued and fully paid-up share capital of the Company was divided into 57,500,000 shares (31 December 2022: 57,500,000 shares) of SR 10 each.

14. EMPLOYEES’ BENEFITS AND COMPENSATION

| | For the three-month period ended 30 September | | For the nine-month period ended 30 September | |
|----------------------------------|--|-------------|---|-------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Employees’ salaries and benefits | 8,223,787 | 9,129,593 | 25,338,498 | 26,486,402 |
| Employees’ health insurance | 869,980 | 753,333 | 1,972,851 | 1,785,900 |
| Others | 659,213 | 602,220 | 1,964,596 | 1,705,865 |
| | 9,752,980 | 10,485,146 | 29,275,945 | 29,978,167 |

15. 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 are accessible by the Group.

Financial instruments mainly comprise of Ijara receivables, other receivables. due to / from Affiliated company, account and other payables and financing facilities.

Fair value hierarchy

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

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

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

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

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15. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The table below presents the financial instruments measured at their fair values as of reporting date based on the fair value hierarchy:

| | 30 September 2023 (Unaudited) | | | | |
|---|-------------------------------|-----------|-----------|----------------------|----------------------|
| | Carrying value | Level 1 | Level 2 | Level 3 | Total |
| Ijara receivables, net | 2,037,525,052 | -- | -- | 2,116,306,837 | 2,116,306,837 |
| Financial asset held at FVOCI - equity instrument | 892,850 | -- | -- | 892,850 | 892,850 |
| Total | 2,038,417,902 | -- | -- | 2,117,199,687 | 2,117,199,687 |

| | 31 December 2022 – (Audited) | | | | |
|---|------------------------------|-----------|-----------|----------------------|----------------------|
| | Carrying value | Level 1 | Level 2 | Level 3 | Total |
| Ijara receivables, net | 1,938,451,178 | -- | -- | 1,956,858,983 | 1,956,858,983 |
| Financial asset held at FVOCI - equity instrument | 892,850 | -- | -- | 892,850 | 892,850 |
| Total | 1,939,344,028 | -- | -- | 1,957,751,833 | 1,957,751,833 |

The valuation of Ijara receivables is estimated using contractual cash flows discounted at latest variable yield, which is the contracted profit rate for recent transactions. Input into the discounted cash flow techniques includes profit rate for recent transactions and contractual cash flows.

Management assessed that the carrying amount of other financial instruments largely approximate fair value due to short-term maturities.

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

16. DIVIDEND APPROVAL

The shareholders in the General Assembly Meeting held on 21 March 2023 approved the cash dividend of SR 0.85 per share. Dividend amounting SR 48.87 million has been declared and approved (2022: SR 43.12 million).

17. SUBSEQUENT EVENT

Other than the change of the name of the Company (note 1), there were no subsequent events after the interim condensed statement of financial position date which require adjustment to/or disclosure in these interim condensed consolidated financial statements, other.

18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS BY THE BOARD OF DIRECTORS OF THE GROUP

These interim condensed consolidated financial statements of the Group for the period ended 30 September 2023 were approved by the Board of Directors on 9 Rabi Al-Thani 1445H (corresponding to 24 October 2023).