

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED
31 MARCH 2022
together with the
INDEPENDENT AUDITOR'S REVIEW REPORT



KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

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

To the shareholders of Deutsche Gulf Finance

Introduction

We have reviewed the accompanying 31 March 2022 interim condensed financial statements of Deutsche Gulf Finance ("the Company"), which comprises:

- the interim condensed statement of financial position as at 31 March 2022;
- the interim condensed statement of comprehensive income for the three-months period ended 31 March 2022;
- the interim condensed statement of changes in equity for the three-months period ended 31 March 2022;
- the interim condensed statement of cash flows for the three-months period ended 31 March 2022; and
- the notes to the interim condensed financial statements.

Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the 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 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 the 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 2022 interim condensed financial statements of Deutsche Gulf Finance are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services



Nasser Ahmed Al Shutairy
License no: 454

Riyadh, 27 April 2022
Corresponding to: 26 Ramadan 1443H



KPMG Professional Services, is a professional independent member company, registered in the Kingdom of Saudi Arabia, with the valid registration of SAR (25-000-000). It is a member of the KPMG network of member firms, which are all members of the KPMG global organization of independent member firms affiliated with the KPMG network of member firms, all of which are members of the International Federation of Accountants (IFAC). All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مصلها (٢٥٠٠٠٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي القوزان وشركاه" مسجلة في الرياض، رقم ٤٦ رقم ١٠١٠٤٢٥٤٩٤. جميع الحقوق محفوظة.

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 March 2022
(Saudi Arabian Riyals)

	<i>Note</i>	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Assets			
Cash and cash equivalents	4	24,017,245	14,406,536
Other assets	5	214,687,230	111,559,383
Due from an affiliated company	10	4,346,092	4,156,380
Ijara receivables, net	6	2,289,211,581	2,356,153,392
Servicing rights under agency arrangements		53,004,351	50,391,755
Financial assets held at fair value through other comprehensive income		892,850	892,850
Deferred tax asset	8	3,542,507	3,850,154
Property, equipment and right-of-use assets		32,060,881	31,216,533
Intangible assets		1,518,211	1,702,296
Total assets		<u>2,623,280,948</u>	<u>2,574,329,279</u>
Liabilities and shareholders' equity			
Liabilities			
Financing facilities	7	1,742,421,121	1,739,478,886
Due to an affiliated company	10	559,638	559,638
Provision for zakat and income tax	8	16,896,375	12,948,466
Accounts and other payables		2,258,903	1,329,846
Accrued expenses and other liabilities	9	107,295,134	92,722,538
Employees' end of service benefits		4,983,022	4,743,098
Total liabilities		<u>1,874,414,193</u>	<u>1,851,782,472</u>
Shareholders' equity			
Share capital	11	575,000,000	575,000,000
Statutory reserve		20,943,384	20,943,384
Retained earnings		152,923,371	126,603,423
Total shareholders' equity		<u>748,866,755</u>	<u>722,546,807</u>
Total liabilities and shareholders' equity		<u>2,623,280,948</u>	<u>2,574,329,279</u>

The attached notes 1 to 17 form an integral part of these interim condensed financial statements.

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three-months period ended 31 March 2022
(Saudi Arabian Riyals)

	For the three-months period ended 31 March		
	<i>Note</i>	<u>2022</u>	<u>2021</u>
Income			
Income from Ijara receivables		47,188,241	39,598,295
Realised gain on sale, settlement or early termination of Ijara receivables		7,693,692	4,661,860
Servicing fee		5,759,934	20,629,849
Other income		--	54,050
Total income		<u>60,641,867</u>	<u>64,944,054</u>
Expenses			
Financial charges		12,192,305	6,398,917
Employees benefits and compensation	12	10,927,188	10,177,664
(Reversal) / charge for expected credit losses on Ijara receivables	6(b)	(2,903,970)	13,257,517
Depreciation		430,354	393,989
Amortisation		184,085	109,784
Other expenses	13	9,236,401	8,332,160
Total expenses		<u>30,066,363</u>	<u>38,670,031</u>
Net income for the period before zakat and income tax		<u>30,575,504</u>	<u>26,274,023</u>
Zakat and income tax	8	4,255,556	3,502,276
Net income for the period after zakat and income tax		<u>26,319,948</u>	<u>22,771,747</u>
Other comprehensive income		--	--
Total comprehensive income for the period		<u>26,319,948</u>	<u>22,771,747</u>

The attached notes 1 to 17 form an integral part of these interim condensed financial statements.

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the three-months period ended 31 March 2022
(Saudi Arabian Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at 1 January 2022	575,000,000	20,943,384	126,603,423	722,546,807
Net income for the period	--	--	26,319,948	26,319,948
Other comprehensive income	--	--	--	--
Balance as at 31 March 2022	<u>575,000,000</u>	<u>20,943,384</u>	<u>152,923,371</u>	<u>748,866,755</u>
Balance as at 1 January 2021	575,000,000	14,172,157	94,412,385	683,584,542
Net income for the period	--	--	22,771,747	22,771,747
Other comprehensive income	--	--	--	--
Balance as at 31 March 2021	<u>575,000,000</u>	<u>14,172,157</u>	<u>117,184,132</u>	<u>706,356,289</u>

The attached notes 1 to 17 form an integral part of these interim condensed financial statements.

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three-months period ended 31 March 2022
(Saudi Arabian Riyals)

	For the three-months period ended 31 March		
	<i>Note</i>	<u>2022</u>	<u>2021</u>
Cash flow from operating activities			
Net income for the period before zakat and income tax		30,575,504	26,274,023
<i>Adjustments to reconcile net income before zakat and income tax to net cash (used in) / from operating activities:</i>			
Depreciation		430,354	393,989
Amortisation		184,085	109,784
Employees' end of service benefits charge		311,647	511,527
Expected credit losses on Ijara receivables	6	(2,903,970)	13,257,517
Special commission expense on lease liabilities		15,027	17,967
Modification loss on Ijara receivables		--	2,543,266
Modification gain on financing facilities		--	(5,283,728)
		28,612,647	37,824,345
Net (increase) / decrease in operating assets			
Ijara receivables		69,845,781	(29,344,911)
Other assets		(103,127,847)	(31,697,149)
Servicing rights under agency agreement		(2,612,596)	(18,691,960)
Due from an affiliated company		(189,712)	(17,250)
Net increase / (decrease) in operating liabilities			
Accounts and other payables		929,057	48,118
Accrued expenses and other liabilities		14,557,569	856,337
		8,014,899	(41,022,470)
Employees' end of service benefits paid		(71,723)	(410,325)
Net cash generated from / (used in) operating activities		7,943,176	(41,432,795)
Cash flows from investing activities			
Acquisition of property and equipment		(1,274,702)	(219,002)
Acquisition of intangible assets		--	(167,695)
Net cash used in investing activities		(1,274,702)	(386,697)
Cash flows from financing activities			
Proceeds from borrowings		112,246,022	182,574,153
Repayment of borrowings		(109,303,787)	(140,445,641)
Payment of principal portion of lease liabilities		--	(289,788)
Net cash from financing activities		2,942,235	41,838,724
Net increase in cash and cash equivalents			
		9,610,709	19,232
Cash and cash equivalents at beginning of the period		14,406,536	9,404,961
Cash and cash equivalents at end of the period	4	24,017,245	9,424,193
Special commission received during the period		38,635,597	32,781,642
Special commission paid during the period		12,383,763	4,693,868

The attached notes 1 to 17 form an integral part of these interim condensed financial statements.

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period ended 31 March 2022
(Saudi Arabian Riyals)

1. CORPORATE INFORMATION

Deutsche Gulf Finance (“the Company”) 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.

The Company is engaged in real estate financing that includes acquisition, purchase of lands and buildings for the purposes of financing facilities(except in Makkah and Madina) 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 Company was issued a license (number 17/A SH/201405) from SAMA on 20 May 2014 (corresponding to 21 Rajab 1435H).

2. BASIS OF PREPARATION

Statement of compliance

The interim condensed financial statements of the Company as at and for the period ended 31 March 2022 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”).

Basis of measurement

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

Functional and presentational currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2021.

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period ended 31 March 2022
(Saudi Arabian Riyals)

4. CASH AND CASH EQUIVALENTS

	30 March 2022 (Unaudited)	31 December 2021 (Audited)
Bank balances – current accounts	<u>24,017,245</u>	<u>14,406,536</u>
	24,017,245	14,406,536

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

5. OTHER ASSETS

	<i>Note</i>	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Receivables against sale of assets	<i>5(a)</i>	97,711,599	--
Financing to customers	<i>5(b)</i>	27,657,314	28,562,486
Advance paid under protest to ZATCA		29,446,658	29,446,658
Ijara mawsofa fi athemmah		26,436,849	25,919,690
Service fee receivables		10,909,560	8,202,237
Amount paid to ZATCA for years under assessment		8,797,654	8,797,654
Value added tax recoverable		7,018,265	5,972,845
Prepaid expenses		2,945,323	1,597,420
Accelerated income tax payment		2,336,754	1,557,836
Receivables from Real Estate Development Fund		1,225,000	1,225,000
Staff receivables		173,275	248,578
Security deposits		28,979	28,979
		<u>214,687,230</u>	<u>111,559,383</u>

5(a) This pertains to amount receivable from a financial institution against sale of assets during the period.

5(b) This balance represents the amounts of certified cheques issued under the property owners' name, for the purchase of properties of the Company's Ijarah contracts (approved deals) and for which the transfer of title deeds, in the name of the Company, is in process.

6. IJARA RECEIVABLES, NET

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Gross Ijara receivables	3,583,812,170	3,722,052,210
Less: Unearned income	(1,263,346,458)	(1,331,740,717)
	<u>2,320,465,712</u>	<u>2,390,311,493</u>
Less: Allowance for expected credit losses	(31,254,131)	(34,158,101)
Ijara receivables, net	<u>2,289,211,581</u>	<u>2,356,153,392</u>

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
For the three-months period ended 31 March 2022
(Saudi Arabian Riyals)

6. IJARA RECEIVABLES, NET (CONTINUED)

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

	31 March 2022 (Unaudited)			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Gross Ijara receivables	458,806,321	1,246,065,834	1,878,940,015	3,583,812,170
Less: Unearned income	(172,245,923)	(510,520,036)	(580,580,499)	(1,263,346,458)
	<u>286,560,398</u>	<u>735,545,798</u>	<u>1,298,359,516</u>	2,320,465,712
Less: Allowance for expected credit losses				(31,254,131)
Ijara receivables, net				<u>2,289,211,581</u>
	31 December 2021 (Audited)			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total
Gross Ijara receivables	388,328,741	1,416,686,673	1,917,036,796	3,722,052,210
Less: Unearned income	(151,762,215)	(588,232,434)	(591,746,068)	(1,331,740,717)
	<u>236,566,526</u>	<u>828,454,239</u>	<u>1,325,290,728</u>	2,390,311,493
Less: Allowance for expected credit losses				(34,158,101)
Ijara receivables, net				<u>2,356,153,392</u>

6(b) Expected credit loss allowance on Ijara receivables, net are as follows:

31 March 2022 – (Unaudited)	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Opening balance	3,392,270	18,829,468	11,936,363	34,158,101
Transfer from 12 Month ECL	(6,780,994)	2,400,721	4,380,273	--
Transfer from lifetime ECL (not credit impaired)	560,381	(2,931,019)	2,370,638	--
Transfer from lifetime ECL (credit impaired)	11,960	525,030	(536,990)	--
Net re-measurement of loss allowance	5,790,630	(5,197,239)	(2,273,518)	(1,680,127)
Ijara receivables that have been derecognized during the period	(165,084)	(749,102)	(400,508)	(1,314,694)
New Ijara receivables originated during the period	90,851	--	--	90,851
Closing balance	<u>2,900,014</u>	<u>12,877,859</u>	<u>15,476,258</u>	<u>31,254,131</u>

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period ended 31 March 2022
(Saudi Arabian Riyals)

6. IJARA RECEIVABLES, NET (CONTINUED)

	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
31 December 2021 – (Audited)				
Opening balance	2,466,007	12,457,120	17,777,268	32,700,395
Transfer from 12 Month ECL	(9,056,725)	7,278,593	1,778,132	--
Transfer from lifetime ECL (not credit impaired)	184,967	(2,788,718)	2,603,751	--
Transfer from lifetime ECL (credit impaired)	18,113	1,581,874	(1,599,987)	--
Net re-measurement of loss allowance	8,957,375	(2,882,633)	18,714,261	24,789,003
Ijara receivables that have been derecognized during the period	(540,582)	(1,052,868)	(1,236,212)	(2,829,662)
New Ijara receivables originated during the period	1,363,115	4,236,100	532,655	6,131,870
Write-offs	--	--	(26,633,505)	(26,633,505)
Closing balance	<u>3,392,270</u>	<u>18,829,468</u>	<u>11,936,363</u>	<u>34,158,101</u>

7. FINANCING FACILITIES

These represent financing facilities from local commercial banks, financial institutions and Saudi Real Estate Refinance Company (“SRC”), which are secured by assignment of proceeds from certain financial assets.

8. ZAKAT AND INCOME TAX

8.1 Deferred tax asset

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Opening balance	3,850,154	3,753,049
(Utilization) / origination of temporary difference	(307,647)	97,105
Closing	<u>3,542,507</u>	<u>3,850,154</u>

The deferred tax arises on end of service benefits, allowance for expected credit losses on Ijara receivables, unused losses and depreciation of property and equipment.

8.2 The movement in zakat and income tax is as follow:

	31 March 2022 (Unaudited)		
	<u>Zakat</u>	<u>Income tax</u>	<u>Total</u>
Balance at the beginning of the period	6,449,848	6,498,618	12,948,466
Charge for the period (<i>excluding deferred tax</i>)	<u>2,167,192</u>	<u>1,780,717</u>	<u>3,947,909</u>
Balance as at end of the period	<u>8,617,040</u>	<u>8,279,335</u>	<u>16,896,375</u>

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period ended 31 March 2022
(Saudi Arabian Riyals)

8. ZAKAT AND INCOME TAX (CONTINUED)

	31 December 2021 (Audited)		
	<u>Zakat</u>	<u>Income tax</u>	<u>Total</u>
Balance at the beginning of the year	8,171,705	5,101,393	13,273,098
Charge for the year (<i>excluding deferred tax</i>)	5,355,967	4,512,898	9,868,865
Reversal of zakat liability during the year	(1,420,151)	--	(1,420,151)
Payments made during the year	(5,657,673)	(3,115,673)	(8,773,346)
Balance as at end of the year	<u>6,449,848</u>	<u>6,498,618</u>	<u>12,948,466</u>

8.3 Zakat and income tax expense

Breakup of zakat and income tax expense in the statement of comprehensive income is as follows:

	For the three-months period ended 31 March	
	<u>2022</u> (Unaudited)	2021 (Unaudited)
Charge for the period:		
- Current tax and zakat for the period	3,947,909	3,390,716
- Deferred tax expense for the period	<u>307,647</u>	111,560
Charge for the period	<u>4,255,556</u>	<u>3,502,276</u>

8.4 Status of assessments:

Zakat and income tax declaration for all the years up to 2020 have been filed with the GAZT and acknowledgement certificates have been obtained.

During the period ended 31 March 2022, there has been no change in the status of the Company's zakat and income tax assessments from the status disclosed in the annual financial statements of the Company for the year ended 31 December 2021.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 March 2022	31 December 2021
<i>Note</i>	<u>(Unaudited)</u>	<u>(Audited)</u>
Accrued and other expenses	27,264,305	30,715,939
SAMA deposit, net	15 19,952,836	10,122,402
Instalments collected from sold Ijara receivables	9(a) 18,875,233	14,749,036
Amount received from customers	9(b) 13,150,645	10,222,460
Provision for VAT	11,500,000	11,500,000
Payable to Ministry of Housing	11,237,158	11,237,158
Advances from customers – Ijara mawsofa fi athemmah	4,049,747	2,925,364
Lease liabilities	9(c) 1,265,210	1,250,179
	<u>107,295,134</u>	<u>92,722,538</u>

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period ended 31 March 2022
(Saudi Arabian Riyals)

9. ACCRUED EXPENSES AND OTHER LIABILITIES (CONTINUED)

- 9(a) This represents amount of instalments collected by the Company on behalf of buyers of previously sold financial assets.
- 9(b) This primarily represents down payment received from customers which is not paid to the seller of the property.
- 9(c) This represents amount of lease liability as per IFRS 16 for the rented offices of the Company.

10. RELATED PARTIES TRANSACTIONS AND BALANCES

The Company's shareholders, affiliates and key management personnel are considered as related parties of the Company. In the ordinary course of business, the Company enters into transactions with its related parties, which are based on prices and contract terms approved by the Company's management. Key Management Personnel ("KMP") are those persons including C-level (or equivalent) executives, having responsibility for planning, directing and controlling the activities of the Company.

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-months period ended 31 March</u>	
		<u>2022</u> <u>(Unaudited)</u>	<u>2021</u> <u>(Unaudited)</u>
Board of directors	Board fees	612,500	637,000
Key management personnel	Employee benefits and compensation: - <i>Remuneration</i>	2,300,272	1,685,296
	- <i>End of service benefits</i>	46,653	(9,897)

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

<u>Related party</u>	<u>Nature of balance</u>	<u>Note</u>	<u>31 March</u>	<u>31 December</u>
			<u>2022</u> <u>(Unaudited)</u>	<u>2021</u> <u>(Audited)</u>
Board of directors	Board fees payable		794,845	2,284,373
Key management personnel	Remuneration payable		1,164,977	2,780,000
	Employees' end of service benefits		768,270	721,617
Gulf Company for Acquisition (affiliated company) – (GCA)	Due from related parties:			
	- <i>Loan</i>	10(a)	3,953,220	3,953,220
	- <i>Other</i>	10(b)	392,872	203,160
			4,346,092	4,156,380
	Due to related parties:			
	- <i>Service fee payable</i>	10(c)	559,638	559,638

- 10(a) This represents an interest-free loan to the Affiliated Company which is repayable on demand with no fixed repayment date. This loan is categorised in stage 1.

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period ended 31 March 2022
(Saudi Arabian Riyals)

10. RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

- 10(b) This represents expenses paid by the Company on behalf of the Affiliated Company and cheque received in the name of the Affiliated Company on account of early settlement of Ijara receivables of the Company, as the title deeds are in the name of Affiliated Company.
- 10(c) This represents service fee charged by the Affiliated Company in relation to holding customers title deeds on behalf of the Company.

11. SHARE CAPITAL

As at 31 March 2022, the authorised, issued and fully paid-up share capital of the Company was divided into 57,500,000 shares (31 December 2020: 57,500,000 shares) of SR 10 each.

12. EMPLOYEES' BENEFITS AND COMPENSATION

	For the three-months period ended 31 March	
	2022	2021
Employees' salaries and benefits	10,027,487	9,312,978
Employees' health insurance	360,383	372,299
Others	539,318	492,387
	10,927,188	10,177,664

13. OTHER EXPENSES

	For the three-months period ended 31 March	
	2022	2021
Processing and marketing expenses	2,541,506	2,710,606
Professional fee	2,061,091	8,438
Executive Board fee	612,500	637,000
Others	4,021,304	4,976,116
	9,236,401	8,332,160

14. 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 Company.

Financial instruments mainly comprise of cash and cash equivalents, investments at FVOCI, Ijara receivables, due from an affiliated company and other assets, due to an affiliated company, financing facilities, dividend payable and accounts and other payables.

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period ended 31 March 2022
(Saudi Arabian Riyals)

14. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

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

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

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

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

	31 March 2022 (Unaudited)				
	Carrying value	Level 1	Level 2	Level 3	Total
Ijara receivables, net	2,289,211,581	--	--	2,324,131,302	2,324,131,302
Financial asset held at FVOCI - equity instrument	892,850	--	--	892,850	892,850
Total	2,290,104,431	--	--	2,325,024,152	2,325,024,152
	31 December 2021 – (Audited)				
	Carrying value	Level 1	Level 2	Level 3	Total
Ijara receivables, net	2,356,153,392	--	--	2,410,624,672	2,410,624,672
Financial asset held at FVOCI - equity instrument	892,850	--	--	892,850	892,850
Total	2,357,046,242	--	--	2,411,517,522	2,411,517,522

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.

Management assessed that the carrying amount of other financial instruments largely approximate fair value due to either short-term maturities on those instruments or re-pricing of those instruments and these financial instruments are classified as level 3.

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

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period ended 31 March 2022
(Saudi Arabian Riyals)

15. SAMA SUPPORT PROGRAMS AND INITIATIVES

Private Sector Financing Support Program (“PSFSP”):

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises (“MSME”) as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The payment reliefs were considered as short-term liquidity support to address borrowers’ potential cash flow shortages. The accounting impact of the above changes in terms of the credit facilities were assessed and has been treated as per the requirements of IFRS 9 as modification in terms of arrangement. The PSFSP program has ended on March 31, 2022.

In order to compensate the related cost that the Company had incurred under the SAMA and other public authorities program, during 2021 and 2022, the Company received multiple profit free deposits from SAMA of varying maturities, which qualified as government grants and were accounted for as such.

16. SUBSEQUENT EVENT

There were no subsequent events after the interim condensed statement of financial position date which require adjustment to/or disclosure in these interim condensed financial statements.

17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS BY THE BOARD OF DIRECTORS OF THE COMPANY

These interim condensed financial statements of the Company for the period ended 31 March 2022 were approved by the Board of Directors on 19 Ramadan 1443H (corresponding to 20 April 2022).