

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2021
together with the
INDEPENDENT AUDITOR'S REVIEW REPORT



KPMG Professional Services

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كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

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

To the shareholders of Deutsche Gulf Finance

Introduction

We have reviewed the accompanying 30 September 2021 interim condensed financial statements of **Deutsche Gulf Finance** ("the Company"), which comprises:

- the interim condensed statement of financial position as at 30 September 2021;
- the interim condensed statement of comprehensive income for the three-months and nine-months periods ended 30 September 2021;
- the interim condensed statement of changes in equity for the nine-months period ended 30 September 2021;
- the interim condensed statement of cash flows for the nine-months period ended 30 September 2021; 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 30 September 2021 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, 26 October 2021

Corresponding to: 20 Rabi Al Awwal 1443H



DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021
(Saudi Arabian Riyals)

| | | 30 September 2021 | 31 December 2020 |
|---|-------------|----------------------|----------------------|
| | <i>Note</i> | (Unaudited) | (Audited) |
| ASSETS | | | |
| Cash and cash equivalents | 7 | 133,396,330 | 9,404,961 |
| Other assets | 8 | 109,243,230 | 67,758,369 |
| Due from an affiliated company | 12 | 4,156,380 | 4,105,769 |
| Ijara receivables, net | 9 | 2,329,278,561 | 2,105,762,358 |
| Servicing rights under agency arrangements | | 51,414,486 | 15,882,475 |
| Financial assets held at fair value through other comprehensive income – equity instruments | | 892,850 | 892,850 |
| Deferred tax asset | 6 | 3,684,467 | 3,753,049 |
| Property and equipment | | 31,166,072 | 31,958,581 |
| Intangible assets | | 525,833 | 687,490 |
| TOTAL ASSETS | | 2,663,758,209 | 2,240,205,902 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| Financing facilities | 10 | 1,823,704,302 | 1,457,109,849 |
| Due to an affiliated company | 12 | 514,638 | 514,638 |
| Provision for zakat and income tax | 6 | 12,097,337 | 13,273,098 |
| Accounts and other payables | | 462,759 | 900,673 |
| Dividend payable | 16 | 4,782,822 | 10,763,638 |
| Accrued expenses and other liabilities | 11 | 106,329,833 | 69,446,400 |
| Employees' end of service benefits | | 4,886,169 | 4,613,064 |
| TOTAL LIABILITIES | | 1,952,777,860 | 1,556,621,360 |
| EQUITY | | | |
| Share capital | 13 | 575,000,000 | 575,000,000 |
| Statutory reserve | | 14,172,157 | 14,172,157 |
| Retained earnings | | 121,808,192 | 94,412,385 |
| TOTAL EQUITY | | 710,980,349 | 683,584,542 |
| TOTAL LIABILITIES AND EQUITY | | 2,663,758,209 | 2,240,205,902 |

The attached notes 1 to 18 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-month and nine-month periods ended 30 September 2021
(Saudi Arabian Riyals)

| | <i>Note</i> | For the three-month period ended 30 September | | For the nine-month period ended 30 September | |
|--|-------------|--|-------------------|---|--------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| INCOME | | | | | |
| Income from Ijara receivables | | 47,003,807 | 40,412,190 | 127,701,918 | 114,589,554 |
| Realised gain on sale, settlement or early termination of Ijara receivable | | 674,675 | 671,576 | 6,904,077 | 4,703,105 |
| Servicing fee | | 20,567,923 | 1,426,898 | 42,242,999 | 4,177,838 |
| Other income | | 4,650 | 16,181 | 87,903 | 43,364 |
| TOTAL INCOME | | 68,251,055 | 42,526,845 | 176,936,897 | 123,513,861 |
| EXPENSES | | | | | |
| Financial charges | | 11,628,139 | 10,023,228 | 31,130,372 | 14,440,435 |
| Employees benefits and compensation | 4 | 10,253,969 | 9,885,116 | 29,601,942 | 30,212,323 |
| Expected credit losses on Ijara receivables | | 7,541,222 | 7,805,924 | 22,498,739 | 13,847,494 |
| Depreciation | | 407,448 | 331,741 | 1,212,866 | 1,034,863 |
| Amortisation | | 109,784 | 77,728 | 329,351 | 192,732 |
| Other expenses | 5 | 15,283,735 | 6,804,466 | 27,614,677 | 14,642,452 |
| TOTAL EXPENSES | | 45,224,297 | 34,928,203 | 112,387,947 | 74,370,299 |
| NET INCOME FOR THE PERIOD BEFORE ZAKAT AND INCOME TAX | | 23,026,758 | 7,598,642 | 64,548,950 | 49,143,562 |
| Zakat and income tax | 6 | 2,960,584 | 858,752 | 8,403,143 | 6,930,155 |
| NET INCOME FOR THE PERIOD AFTER ZAKAT AND INCOME TAX | | 20,066,174 | 6,739,890 | 56,145,807 | 42,213,407 |
| Other comprehensive income | | -- | -- | -- | -- |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 20,066,174 | 6,739,890 | 56,145,807 | 42,213,407 |

The attached notes 1 to 18 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 nine-month period ended 30 September 2021
(Saudi Arabian Riyals)

| | <u>Share capital</u> | <u>Statutory reserve</u> | <u>Retained Earnings</u> | <u>Total</u> |
|---|----------------------|--------------------------|--------------------------|--------------------|
| Balance as at 1 January 2021 | 575,000,000 | 14,172,157 | 94,412,385 | 683,584,542 |
| Net income for the period | -- | -- | 56,145,807 | 56,145,807 |
| Dividend declared during the period (Note 16) | -- | -- | (28,750,000) | (28,750,000) |
| Other comprehensive income | -- | -- | -- | -- |
| Balance as at 30 September 2021 | 575,000,000 | 14,172,157 | 121,808,192 | 710,980,349 |
| Balance as at 1 January 2020 | 575,000,000 | 8,219,878 | 69,591,873 | 652,811,751 |
| Net income for the period | -- | -- | 42,213,407 | 42,213,407 |
| Dividend declared during the period (Note 16) | -- | -- | (28,750,000) | (28,750,000) |
| Other comprehensive income | -- | -- | -- | -- |
| Balance as at 30 September 2020 | 575,000,000 | 8,219,878 | 83,055,280 | 666,275,158 |

The attached notes 1 to 18 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 nine-month period ended 30 September 2021
(Saudi Arabian Riyals)

| | <i>Note</i> | For the nine-month period ended 30 September | |
|---|-------------|---|----------------------|
| | | <u>2021</u> | <u>2020</u> |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Net income for the period before zakat and income tax | | 64,548,950 | 49,143,562 |
| <i>Adjustments to reconcile net income before zakat and income tax to net cash (used in) / from operating activities:</i> | | | |
| Depreciation | | 1,212,866 | 1,034,863 |
| Amortisation | | 329,351 | 192,732 |
| Employees' end of service benefits charge | | 936,293 | 1,117,840 |
| Expected credit losses on Ijara receivables | 9 | 22,498,739 | 13,847,494 |
| Special commission expense on lease liabilities | | 47,978 | 63,185 |
| Modification loss on Ijara receivables, net | 15 | 5,942,979 | 3,107,543 |
| Modification gain on financing facilities, net | 15 | (451,340) | (8,353,361) |
| | | <u>95,065,816</u> | <u>60,153,858</u> |
| <i>Net (increase) / decrease in operating assets</i> | | | |
| Ijara receivables | | (251,957,921) | (528,371,592) |
| Other assets | | (42,905,012) | 643,281 |
| Servicing rights under agency agreement | | (35,532,011) | 219,787 |
| Due from an affiliated company | | (50,611) | (7,774) |
| <i>Net increase / (decrease) in operating liabilities</i> | | | |
| Accounts and other payables | | (437,914) | (318,549) |
| Accrued expenses and other liabilities | | 37,335,243 | 35,466,708 |
| | | <u>(198,482,410)</u> | <u>(432,214,281)</u> |
| Employees' end of service benefits paid | | (663,188) | (191,721) |
| Zakat and income tax paid | 6(b) | (8,090,171) | (5,935,900) |
| Net cash used in operating activities | | <u>(207,235,769)</u> | <u>(438,341,902)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property and equipment | | (420,357) | (1,938,486) |
| Acquisition of intangible assets | | (167,694) | (558,367) |
| Net cash used in investing activities | | <u>(588,051)</u> | <u>(2,496,853)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from financing facilities | | 754,215,420 | 3,816,263,010 |
| Repayment of financing facilities | | (387,169,627) | (3,383,767,567) |
| Payment of lease liabilities | | (499,788) | (507,180) |
| Dividend paid | 16 | (34,730,816) | (17,986,362) |
| Net cash from financing activities | | <u>331,815,189</u> | <u>414,001,901</u> |
| Net increase / (decrease) in cash and cash equivalents | | <u>123,991,369</u> | <u>(26,836,854)</u> |
| Cash and cash equivalents at beginning of the period | | 9,404,961 | 36,026,007 |
| Cash and cash equivalents at end of the period | 7 | <u>133,396,330</u> | <u>9,189,153</u> |
| Special commission received during the period | | <u>105,931,546</u> | <u>95,012,795</u> |
| Special commission paid during the period | | <u>27,367,407</u> | <u>11,252,221</u> |
| Non-cash supplemental information: | | | |
| Right-of-use-asset | | <u>1,279,830</u> | <u>1,667,094</u> |
| Lease liability | | <u>1,235,327</u> | <u>1,754,670</u> |

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

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DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three month and nine-month periods ended 30 September 2021
(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 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).

2. BASIS OF PREPARATION

Statement of compliance

The interim condensed financial statements of the Company as at and for the period ended 30 September 2021 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”).

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 2020 except for below:

Government grant:

The Company recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of interest is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 “Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the deposit determined in accordance with IFRS

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three month and nine-month periods ended 30 September 2021
(Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grant (continued)

9 and the proceeds received. The benefit is accounted for in accordance with IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”. Government grant is recognised in statement of income on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grant is intended to compensate.

4. EMPLOYEES’ BENEFITS AND COMPENSATION

| | <u>For the three-month period ended 30 September</u> | | <u>For the nine-month period ended 30 September</u> | |
|----------------------------------|--|------------------|---|-------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Employees’ salaries and benefits | 9,408,734 | 8,508,461 | 26,992,808 | 21,383,668 |
| Employees’ health insurance | 373,637 | 349,357 | 1,120,023 | 1,783,560 |
| Others | 471,598 | 1,027,298 | 1,489,111 | 7,045,095 |
| | <u>10,253,969</u> | <u>9,885,116</u> | <u>29,601,942</u> | <u>30,212,323</u> |

5. OTHER EXPENSES

| | <u>For the three-month period ended 30 September</u> | | <u>For the nine-month period ended 30 September</u> | |
|-----------------------------------|--|------------------|---|-------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Processing and marketing expenses | 1,727,042 | 2,066,658 | 5,766,468 | 3,615,741 |
| Board fees | 636,750 | 637,500 | 1,910,500 | 1,740,500 |
| Others | 12,919,943 | 4,100,308 | 19,937,709 | 9,286,211 |
| | <u>15,283,735</u> | <u>6,804,466</u> | <u>27,614,677</u> | <u>14,642,452</u> |

6. ZAKAT AND INCOME TAX

6(a) Deferred tax asset

| | 30 September 2021 | 31 December 2020 |
|---|------------------------------|---------------------|
| | (Unaudited) | (Audited) |
| Opening balance | 3,753,049 | 3,347,230 |
| (Utilization) / origination of temporary difference | (68,582) | 405,819 |
| Closing | <u>3,684,467</u> | <u>3,753,049</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.

DEUTSCHE GULF FINANCE
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three month and nine-month periods ended 30 September 2021
(Saudi Arabian Riyals)

6. ZAKAT AND INCOME TAX (CONTINUED)

6(b) The movement in zakat and income tax is as follow:

| | <i>Note</i> | 30 September 2021 (Unaudited) | | |
|---|-------------|--------------------------------------|--------------------------|--------------------------|
| | | <u>Zakat</u> | <u>Income tax</u> | <u>Total</u> |
| Balance at the beginning of the period | | 8,171,705 | 5,101,393 | 13,273,098 |
| Charge for the period (<i>excluding deferred tax</i>) | | 4,575,230 | 3,759,331 | 8,334,561 |
| Reversal of zakat liability during the period | 6(d) | (1,420,151) | -- | (1,420,151) |
| Payments made during the period | | <u>(4,974,498)</u> | <u>(3,115,673)</u> | <u>(8,090,171)</u> |
| Balance as at end of the period | | <u><u>6,352,286</u></u> | <u><u>5,745,051</u></u> | <u><u>12,097,337</u></u> |

| | 31 December 2020 (Audited) | | |
|--------------------------------------|-----------------------------------|--------------------------|--------------------------|
| | <u>Zakat</u> | <u>Income tax</u> | <u>Total</u> |
| Balance at the beginning of the year | 7,788,713 | 3,338,551 | 11,127,264 |
| Charge for the year | 4,811,468 | 3,953,441 | 8,764,909 |
| Payments made during the year | <u>(4,428,476)</u> | <u>(2,190,599)</u> | <u>(6,619,075)</u> |
| Balance as at end of the year | <u><u>8,171,705</u></u> | <u><u>5,101,393</u></u> | <u><u>13,273,098</u></u> |

6(c) Zakat and income tax expense

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

| | For the three-month period ended 30 September | | For the nine-month period ended 30 September | |
|---|--|-----------------------------------|---|-----------------------------------|
| | <u>2021</u> (Unaudited) | 2020 (Unaudited) | <u>2021</u> (Unaudited) | 2020 (Unaudited) |
| Charge for the period: | | | | |
| - Current tax and zakat expense for the period | 3,000,620 | 947,118 | 8,334,561 | 6,336,560 |
| - Deferred tax (income) / expense for the period | (40,036) | (88,366) | 68,582 | 593,595 |
| Charge for the period | <u>2,960,584</u> | <u>858,752</u> | <u>8,403,143</u> | <u>6,930,155</u> |

6(d) Status of assessments:

Zakat and income tax declaration for all the years up to 2020 have been filed with the Zakat, Tax and Custom Authorities ("ZATCA") and acknowledgement certificates have been obtained.

During the period ended 30 September 2021, 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 2020, except the below.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three month and nine-month periods ended 30 September 2021
(Saudi Arabian Riyals)

6. ZAKAT AND INCOME TAX (CONTINUED)

2010

The Company has made payment of SR 3.7 million to ZATCA as part of appeal process in relation to assessment year 2010. During the nine-month period ended 30 September 2021, the assessment was finalized amounting to SR 2.3 million, whereas the amount of SR 1.4 million can be used against any future liabilities with ZATCA.

7. CASH AND CASH EQUIVALENTS

| | 30 September | 31 December |
|----------------------------------|--------------------------------|------------------|
| | 2021 | 2020 |
| | <i>Note</i> (Unaudited) | (Audited) |
| Bank balances – current accounts | 7(a) 133,396,330 | 9,404,961 |
| | 133,396,330 | 9,404,961 |

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

8. OTHER ASSETS

| | 30 September | 31 December |
|--|--------------------------------|-------------------|
| | 2021 | 2020 |
| | <i>Note</i> (Unaudited) | (Audited) |
| Financing to customers | 31,980,871 | 25,445,779 |
| Advance paid under protest to ZATCA | 8(a) 29,466,658 | -- |
| Ijara mawsofa fi athemmah | 23,047,748 | 16,469,701 |
| Amount paid to ZTCA for years under assessment | 8,797,654 | 10,217,805 |
| Value added tax recoverable | 6,196,507 | 7,423,180 |
| Service fee receivable | 4,761,184 | 3,668,612 |
| Prepaid expenses | 1,968,215 | 1,533,596 |
| Accelerated tax payment | 1,557,836 | 1,642,950 |
| Receivable from Real Estate Development Fund | 1,225,000 | 1,225,000 |
| Staff receivables | 212,578 | 102,767 |
| Security deposits | 28,979 | 28,979 |
| | 109,243,230 | 67,758,369 |

8(a) During the period, 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 Company paid the amount during the amnesty period to avoid penalties and recorded the amount as receivable from ZATCA. The Company also filed an appeal clarifying its position on the assessment received from ZATCA. During the second half of 2021, ZATCA partially accepted the Company's appeal and revised its assessment by reducing the claim from SR 29.47 million to 17.09 million. The Company filed an appeal with the General Secretary of Tax Committee ('GSTC') against the revised claim and the appeal is still under review of GSTC.

The Company has booked a provision, on prudent grounds, amounting to SR 11.5 million, albeit the Company expects a positive outcome from the ongoing GSTC appeal.

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(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three month and nine-month periods ended 30 September 2021
(Saudi Arabian Riyals)

9. IJARA RECEIVABLES, NET

| | 30 September 2021 (Unaudited) | 31 December 2020 (Audited) |
|--|--|----------------------------------|
| Gross Ijara receivables | 3,703,356,405 | 3,484,308,166 |
| Less: Unearned income | <u>(1,342,260,873)</u> | <u>(1,345,845,413)</u> |
| | 2,361,095,532 | 2,138,462,753 |
| Less: Allowance for expected credit losses | <u>(31,816,971)</u> | <u>(32,700,395)</u> |
| Ijara receivables, net | <u>2,329,278,561</u> | <u>2,105,762,358</u> |

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

| | 30 September 2021 (Unaudited) | | | |
|--|--------------------------------------|--|----------------------------------|-----------------------------|
| | Not later than one year | Later than one year but not later than five years | Later than five years | Total |
| Gross Ijara receivables | 419,678,325 | 1,020,944,183 | 2,262,733,897 | 3,703,356,405 |
| Less: Unearned income | <u>(164,189,796)</u> | <u>(413,627,719)</u> | <u>(764,443,358)</u> | <u>(1,342,260,873)</u> |
| | 255,488,529 | 607,316,464 | 1,498,290,539 | 2,361,095,532 |
| Less: Allowance for expected credit losses | | | | <u>(31,816,971)</u> |
| Ijara receivables, net | | | | <u>2,329,278,561</u> |

| | 31 December 2020 (Audited) | | | |
|--|------------------------------------|--|----------------------------------|-----------------------------|
| | Not later than one year | Later than one year but not later than five years | Later than five years | Total |
| Gross Ijara receivables | 313,903,741 | 1,073,040,618 | 2,097,363,807 | 3,484,308,166 |
| Less: Unearned income | <u>(145,136,677)</u> | <u>(497,122,120)</u> | <u>(703,586,616)</u> | <u>(1,345,845,413)</u> |
| | 168,767,064 | 575,918,498 | 1,393,777,191 | 2,138,462,753 |
| Less: Allowance for expected credit losses | | | | <u>(32,700,395)</u> |
| Ijara receivables, net | | | | <u>2,105,762,358</u> |

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

| | 12 Month ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | Total |
|--|-------------------------|---|---|--------------------------|
| 30 September 2021 – (Unaudited) | | | | |
| Opening balance – 1 January 2021 | 2,466,007 | 12,457,120 | 17,777,268 | 32,700,395 |
| Transfer from 12 Month ECL | (7,462,660) | 6,657,135 | 805,525 | -- |
| Transfer from lifetime ECL (not credit impaired) | 249,933 | (2,717,055) | 2,467,122 | -- |
| Transfer from lifetime ECL (credit impaired) | 20,064 | 1,061,261 | (1,081,325) | -- |
| Net re-measurement of loss allowance | 6,591,235 | (4,145,046) | 15,679,349 | 18,125,538 |
| New Ijara receivables originated during the period | 1,001,180 | 3,296,939 | 75,081 | 4,373,200 |
| Write- Offs | -- | -- | (23,382,162) | (23,382,162) |
| Closing balance | <u>2,865,759</u> | <u>16,610,354</u> | <u>12,340,858</u> | <u>31,816,971</u> |

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9. IJARA RECEIVABLES, NET (CONTINUED)

| 31 December 2020 – (Audited) | 12 Month ECL | Lifetime ECL (not credit impaired) | Lifetime ECL (credit impaired) | Total |
|---|------------------|---|--------------------------------------|-------------------|
| Opening balance – 1 January 2020 | 4,075,284 | 7,335,815 | 18,251,350 | 29,662,449 |
| Transfer from 12 Month ECL | (11,004,572) | 7,618,798 | 3,385,774 | -- |
| Transfer from lifetime ECL (not credit impaired) | 74,518 | (2,325,270) | 2,250,752 | -- |
| Transfer from lifetime ECL (credit impaired) | 17,245 | 502,634 | (519,879) | -- |
| Net re-measurement of loss allowance | 8,701,810 | (2,938,672) | 9,038,028 | 14,801,166 |
| Ijara receivables that have been derecognized during the period | (641,888) | (513,981) | (1,795,951) | (2,951,820) |
| New Ijara receivables originated during the period | 1,243,610 | 2,777,796 | 1,419,977 | 5,441,383 |
| Write-offs | -- | -- | (14,252,783) | (14,252,783) |
| Closing balance | <u>2,466,007</u> | <u>12,457,120</u> | <u>17,777,268</u> | <u>32,700,395</u> |

10. FINANCING FACILITIES

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

11. ACCRUED EXPENSES AND OTHER LIABILITIES

| | 30 September 2021 | 31 December 2020 |
|---|--------------------------------|---------------------|
| | <i>Note</i> (Unaudited) | (Audited) |
| Accrued expenses and other liabilities | 40,126,492 | 33,244,376 |
| Amount received from customers | 29,083,824 | 11,732,574 |
| Instalments collected from sold Ijara receivables | 12,366,897 | 12,545,216 |
| Payable to Ministry of Housing | 11,237,158 | 10,041,408 |
| SAMA deposit, net | <i>15</i> 10,054,633 | -- |
| Advances from customers – Ijara mawsofa fi athemmah | 2,225,502 | 195,689 |
| Lease liabilities | 1,235,327 | 1,687,137 |
| | <u>106,329,833</u> | <u>69,446,400</u> |

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12. 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.

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>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| | | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> | <u>(Unaudited)</u> |
| Key management personnel | Employee benefits and compensation: | | | | |
| | - <i>Remuneration</i> | 1,928,629 | 1,871,296 | 5,130,887 | 5,488,140 |
| | - <i>End of service benefit</i> | 47,797 | 56,767 | 98,657 | 138,239 |
| | Compensation: | | | | |
| | - <i>Board fees</i> | 636,750 | 637,500 | 1,910,500 | 1,740,500 |

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>30 September 2021 (Unaudited)</u> | <u>31 December 2020 (Audited)</u> |
|---|------------------------------------|-------------|--------------------------------------|-----------------------------------|
| Key management personnel | Remuneration payable | | 1,753,013 | 2,080,000 |
| | Employees' end of service benefits | | 673,924 | 575,267 |
| Board of Directors | Board fee payable | | 1,722,623 | 1,905,000 |
| Gulf Company for Acquisition (affiliated company) – (GCA) | Due from an affiliated company: | | | |
| | - <i>Loan</i> | 12(a) | 3,953,220 | 3,953,220 |
| | - <i>Other</i> | 12(b) | 203,160 | 152,549 |
| | | | 4,156,380 | 4,105,769 |
| | Due to an affiliated company: | | | |
| | - <i>Service fee payable</i> | 12(c) | 514,638 | 514,638 |

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

12(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 deed is in the name of Affiliated Company.

12(c) This represents service fee charged by the Affiliated Company in relation to holding customers title deeds on behalf of the Company.

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13. SHARE CAPITAL

As at 30 September 2021, 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.

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 Ijara receivables, other receivables, due to / from Affiliated company, account and other payables, financing facilities and other liabilities.

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:

| | 30 September 2021 (Unaudited) | | | | |
|--|--------------------------------------|----------------|----------------|----------------------|----------------------|
| | Carrying value | Level 1 | Level 2 | Level 3 | Total |
| Ijara receivables, net | 2,329,278,561 | -- | -- | 2,437,028,475 | 2,437,028,475 |
| Financial asset held at FVOCI - equity instrument | 892,850 | -- | -- | 892,850 | 892,850 |
| Total | 2,330,171,411 | -- | -- | 2,437,921,325 | 2,437,921,325 |
| | 31 December 2020 – (Audited) | | | | |
| | Carrying value | Level 1 | Level 2 | Level 3 | Total |
| Ijara receivables, net | 2,105,762,358 | -- | -- | 2,207,808,927 | 2,207,808,927 |
| Financial asset held at FVOCI - equity instrument | 892,850 | -- | -- | 892,850 | 892,850 |
| Total | 2,106,655,208 | -- | -- | 2,208,701,777 | 2,208,701,777 |

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14. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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 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.

15. SAMA SUPPORT PROGRAM AND INITIATIVES

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises (“MSME”) as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. Whilst the PSFSP encompasses several programs, the one most pertinent to the Company as at 30 September 2021 is the deferred payments program.

As part of the deferred payments program launched by SAMA in March 2020 and with a number of extensions to the program subsequently announced, the Company is required to defer payments on lending facilities to those companies that qualify as MSME. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Company has effected the payment reliefs by deferring the instalments falling due within the period from 1 October 2021 to 31 December 2021, and increasing the facility tenors accordingly. The Company continues to believe that in the absence of other factors, participation in the deferment programme on its own, is not considered a significant increase in credit risk.

The accounting impact of above changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in total cumulative modification losses to date amounting to SAR 15.10 million of which SAR 2.40 million has been recorded in the current quarter which have been presented as part of net financing income. During the nine months period ended 30 September 2021, SAR 1.12 million has been charged to the statement of income relating to unwinding of modification losses.

During the period, the Company received SR 10.47 million profit free deposit with maturity date of 30 March 2023 from SAMA. Management has determined based on communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of subsidised funding rate has been accounted for on systematic basis, in accordance with government grant accounting requirements.

During the nine months period ended 30 September 2021, a total of SR 0.41 million (30 September 2021: SAR NIL) has been recognised in the statement of income as deferred grant income with respect to related profit free deposit. Management has exercised certain judgements in the recognition and measurement of grant income recognised during the period ended 30 September 2021.

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16. DIVIDEND

The shareholders in the General Assembly Meeting held on 20 June 2021 approved the cash dividend of SR 0.5 per share. Dividend amounting to SR 28.75 million has been declared and approved, of which SR 26.36 million has been paid during the period.

17. SUBSEQUENT EVENTS

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

18. 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 30 September 2021 were approved by the Board of Directors on 24 October 2021 (corresponding to 18 Rabi Al Awwal 1443H).