

**DAR AL TAMLEEK COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REVIEW REPORT**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30  
SEPTEMBER 2022**

**DAR AL TAMLEEK COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)**  
**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT**  
**AUDITORS' REVIEW REPORT**  
For the three-month and nine-month periods ended 30 september 2022

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## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF DAR AL TAMLEEK Company (A SAUDI CLOSED JOINT STOCK COMPANY)

### Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Dar Al Tamleek Company (A Saudi Closed Joint Stock Company) ("the Company") as at 30 September 2022 and the related interim condensed statements of profit or loss and other comprehensive income for the three-months and nine-months periods ended 30 September 2022, changes in shareholders' equity and cash flows for the nine-months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed 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 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" 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.

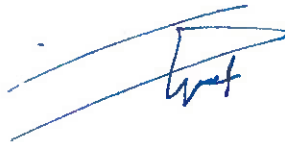
### Other Matters:

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed unmodified opinion on those financial statements on 3 Sha'ban 1443H (corresponding to 6 March 2022). Further, the interim condensed financial statements of the Company for the three-months and nine-months periods ended 30 September 2021 were reviewed by another auditor who expressed unmodified review conclusion on those interim condensed financial statements on 22 Rabi Al-Awwal 1443H (corresponding to 28 October 2021).

### Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed 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



Asem M. Habis  
Certified Public Accountant  
Licence no. 555

Jeddah: 2 Rabi Al-Thani 1444H  
27 October 2022G



DAR AL TAMLEEK COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-months and nine-months periods ended 30 September 2022

	Notes	<i>For the three-months period ended 30 September</i>		<i>For the nine-months period ended 30 September</i>	
		2022	2021	2022	2021
<b>INCOME</b>					
Income from finance leases		<b>5,547,373</b>	4,753,175	<b>13,616,638</b>	18,849,955
Income from agency arrangements		<b>39,090,023</b>	41,592,323	<b>120,542,557</b>	148,675,378
Gain from sale of portfolio		-	-	<b>560,980</b>	-
<b>Total income</b>		<b>44,637,396</b>	46,345,498	<b>134,720,175</b>	167,525,333
Amortization of servicing rights under Agency arrangements	6	<b>(19,166,785)</b>	(19,284,012)	<b>(54,065,198)</b>	(50,582,824)
<b>Gross profit</b>		<b>25,470,611</b>	27,061,486	<b>80,654,977</b>	116,942,509
<b>OPERATING EXPENSES</b>					
Selling and marketing expenses		<b>(12,940,677)</b>	(11,326,032)	<b>(37,847,710)</b>	(38,517,420)
General and administrative expenses		<b>(9,194,326)</b>	(6,807,426)	<b>(27,659,408)</b>	(21,091,072)
Reversal/ (Allowance) for expected credit losses	5	<b>(293,003)</b>	253,888	<b>208,869</b>	1,092,944
<b>Net operating income</b>		<b>3,042,605</b>	9,181,916	<b>15,356,728</b>	58,426,961
Reversal of accruals no longer required	10	-	-	<b>24,738,287</b>	-
Financial charges		<b>(628,169)</b>	(444,693)	<b>(1,578,679)</b>	(1,068,429)
Other income		<b>17,227</b>	43,248	<b>77,859</b>	184,420
<b>Profit for the period before zakat</b>		<b>2,431,663</b>	8,780,471	<b>38,594,195</b>	57,542,952
Zakat charge	10	<b>(27,450)</b>	(905,165)	<b>(4,007,209)</b>	(5,934,016)
<b>Net income for the period</b>		<b>2,404,213</b>	7,875,306	<b>34,586,986</b>	51,608,936
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>2,404,213</b>	7,875,306	<b>34,586,986</b>	51,608,936
Basic and diluted earnings per share (expressed in SR per share)	11	<b>0.07</b>	0.22	<b>0.96</b>	1.44

The attached notes 1 to 16 form part of these Interim Condensed financial statements.

DAR AL TAMLEEK COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)  
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)  
As at 30 September 2022

	<i>Notes</i>	<b>30 September 2022 Unaudited SR</b>	<b>31 December 2021 Audited SR</b>
<b>ASSETS</b>			
Cash and cash equivalents	4	295,569,829	135,030,982
Accounts receivable and other assets		49,589,607	46,860,559
Properties for sale under finance leases		8,900,000	13,531,747
Net investment in finance leases	5	169,085,762	155,448,219
Servicing rights under agency arrangements	6	487,335,581	497,738,213
Investments at FVOCI		892,850	892,850
Right of use assets		8,149,846	9,554,998
Property and equipment		2,968,767	1,392,749
Intangible assets		1,581,132	-
<b>TOTAL ASSETS</b>		<b>1,024,073,374</b>	<b>860,450,317</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable and accruals	7	349,649,204	234,562,586
Loans and borrowings		36,307,297	25,061,475
Employees' end of service benefits		12,458,124	13,046,038
Payable for properties for sale under finance leases		15,766,739	11,378,744
Lease liability		8,912,530	10,008,980
<b>TOTAL LIABILITIES</b>		<b>423,093,894</b>	<b>294,057,823</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	358,750,000	358,750,000
Statutory reserve	9	61,996,638	61,996,638
Retained earnings		180,232,842	145,645,856
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>600,979,480</b>	<b>566,392,494</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,024,073,374</b>	<b>860,450,317</b>

The attached notes 1 to 16 form part of these Interim Condensed financial statements.

DAR AL TAMLEEK COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the nine-months period ended 30 September 2022

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Total</i>
Balance as at 1 January 2022 (audited)	358,750,000	61,996,638	145,645,856	566,392,494
Net profit and other comprehensive income for the period	-	-	34,586,986	34,586,986
<b>Balance as at 30 September 2022 (unaudited)</b>	<b><u>358,750,000</u></b>	<b><u>61,996,638</u></b>	<b><u>180,232,842</u></b>	<b><u>600,979,480</u></b>
Balance as at 1 January 2021 (audited)	358,750,000	55,227,268	153,121,519	567,098,787
Net profit and other comprehensive income for the period	-	-	51,608,936	51,608,936
Dividends	-	-	(68,400,000)	(68,400,000)
Balance as at 30 September 2021 (unaudited)	<u>358,750,000</u>	<u>55,227,268</u>	<u>136,330,455</u>	<u>550,307,723</u>

The attached notes 1 to 16 form part of these Interim Condensed financial statements.

DAR AL TAMLEEK COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOW (UNAUDITED)

For the nine-months period ended 30 September 2022

	Notes	For nine-months period ended 30 September	
		2022	2021
<b>Operating activities</b>			
Profit for the period before zakat		<b>38,594,195</b>	57,542,952
<i>Adjustments to reconcile profit before zakat to net cash flows:</i>			
Depreciation of property and equipment		<b>714,673</b>	1,021,409
Depreciation of right of use assets		<b>2,174,868</b>	1,824,907
Amortization of intangible assets		<b>148,781</b>	-
Amortization of servicing rights under agency arrangements		<b>54,065,198</b>	50,582,824
Reversal of allowance for expected credit loss		<b>(208,869)</b>	(1,092,944)
Income from servicing rights under agency arrangements		<b>(43,662,566)</b>	(73,686,709)
Reversal of accruals no longer required	10	<b>(24,738,287)</b>	-
Loss from disposal of property and equipment		<b>5,000</b>	-
Finance charges		<b>1,578,679</b>	719,712
Employees' end of service benefits charge for the year		<b>1,125,000</b>	1,563,660
		<b>29,796,672</b>	38,475,811
<b>Changes in operating assets and liabilities</b>			
Accounts receivable and other current assets		<b>(2,729,048)</b>	789,720
Properties for sale under finance leases		<b>4,631,747</b>	3,911,000
Net investment in finance leases		<b>(48,649,117)</b>	(6,765,814)
Accounts payable and accrued liabilities		<b>143,566,517</b>	(22,710,260)
Payable for properties for sale under finance leases		<b>4,387,995</b>	(3,911,000)
<b>Cash generated from operations</b>		<b>131,004,766</b>	9,789,457
Employees' end of service benefits paid		<b>(1,712,914)</b>	(71,031)
Financial charges paid		<b>(1,001,608)</b>	(641,891)
Zakat paid		<b>(7,748,821)</b>	(9,896,452)
<b>Net cash generated from / (used in) operating activities</b>		<b>120,541,423</b>	(819,917)
<b>Investing activities</b>			
Purchase of intangible assets		<b>(1,729,913)</b>	-
Purchase of property and equipment		<b>(2,295,691)</b>	(731,832)
<b>Net cash used in investing activities</b>		<b>(4,025,604)</b>	(731,832)
<b>Financing activities</b>			
Proceeds from disposal of net investment in finance lease		<b>35,220,443</b>	56,706,611
Proceeds from loans and borrowings		<b>106,000,000</b>	129,999,856
Repayments of loans and borrowings		<b>(95,000,000)</b>	(120,250,000)
Payment of lease liabilities		<b>(2,197,415)</b>	(1,682,120)
Dividends paid		-	(68,400,000)
<b>Net cash generated from/ (used in) financing activities</b>		<b>44,023,028</b>	(3,625,653)
<b>Increase/ decrease in cash and cash equivalents</b>		<b>160,538,847</b>	(5,177,402)
Cash and cash equivalents at beginning of the year		<b>135,030,982</b>	161,026,489
<b>Cash and cash equivalents at end of the period</b>		<b>295,569,829</b>	155,849,087
<b>Major Non-cash Transaction:</b>			
Addition of right-of-use an assets during the period		<b>769,716</b>	2,477,168
Accrued interest charges during the period		<b>245,822</b>	77,821

The attached notes 1 to 16 form part of these Interim Condensed financial statements.

## 1 CORPORATE INFORMATION

Dar Al Tamleek Company (“the Company”) is a Saudi Closed Joint Stock Company, incorporated under the Ministerial Resolution No. 155 dated 5 Jumada I 1429H (corresponding to 11 May 2008). The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030180844 dated 9 Rajab 1429H (corresponding to 12 July 2008) and fully owned by Saudi shareholders.

Pursuant to the promulgation of Real Estate Finance Law (“Real Estate Finance Law”) in the Kingdom of Saudi Arabia, the Company applied for, and received license from the Saudi Central Bank (“SAMA”) to operate as a leasing entity under the Real Estate Finance Law on 28 Safar 1435H, (corresponding to 31 December 2013).

The Company is authorized to operate in the Kingdom of Saudi Arabia on the financing, purchase, sale and ownership of land and real estate and real estate units for the purpose of financing, except in the cities of Makkah and Al Medina. The Company is also working on the management of real estate financing programs to others.

The Company’s core operating activities comprise of the following:

- a) Originating real estate financing.
- b) Arranging real estate financing on behalf of third parties under a program management arrangement.
- c) Sale of originated portfolio of real estate financing to third parties.
- d) Serving real estate financing on behalf of third parties.

The Company operates through its following registered branches:

<b><u>Branch</u></b>	<b><u>Commercial Registration No.</u></b>
Riyadh	1010278650
Jeddah	1010278650
Al Madina	4650227996
Buraida*	1131311715
Dammam	2050075914
Hafr Albatin	2511120119
Hail*	3350152209
Jeddah	4030194954
Makkah	4031247300
Tabuk	3550136777
Taif	4032247739
Abha	5850130565

\*The company has closed the branches during period ended of 30 September 2022.

The Company's head office is located at the following address:

Burj Al-Makhmal, Al-Roudah Street,  
P. O. Box 55026, Jeddah 21534,  
Kingdom of Saudi Arabia.



## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

The interim condensed financial statements for the three and nine-months periods ended 30 September 2022 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia as well as other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The management consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The Company prepares its financial statements to comply with SAMA regulations applicable to Real Estate Finance Entities, the Regulation for Companies in the Kingdom of Saudi Arabia and the Company's By-laws. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2021.

The financial statements of the Company for the nine-months period ended 30 September 2022, were prepared in compliance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") and the International Financial Reporting Standards ("IFRS") respectively, as modified by SAMA for the accounting of zakat and income tax, the requirements of SAMA regulations applicable to Real Estate Finance Entities, the Regulation for Companies in the Kingdom of Saudi Arabia and the Company's By-laws.

On 17 July 2019, SAMA instructed finance companies in the Kingdom of Saudi Arabia to account for zakat and income taxes in the statement of profit or loss and other comprehensive income. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and with other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

### **2.2 Basis of measurement**

The interim condensed financial statements have been prepared in accordance with the principle of historical cost, except for the investments at fair value through other comprehensive income ("FVOCI"), Servicing rights under agency arrangements and employee benefit obligation accruals prepared at the current value of future obligations are recognized using the expected actuarial credit unit method.

### **2.3 Functional and presentation currency**

These interim condensed financial statements are presented in Saudi Arabian Riyals ("SR") which is the Company's functional currency.

### **2.4 Significant accounting judgements, estimates and assumptions**

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities. The management's estimates in the application of accounting policies, calculation methods and main sources of estimates are the same applied in the financial statements for the year ended 31 December 2021. However, As the situation continues to evolve with the future uncertainty, management will continue to assess the impact based on future developments.

### 3 CHANGES IN ACCOUNTING POLICIES OF THE COMPANY

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2021, except for the adoption of new standards which are effective from 1 January 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed financial statements of the Company.

#### 3.1 New standards, interpretations and amendments adopted by the Company

##### **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the interim condensed financial statements of the Company.

##### **Reference to the Conceptual Framework – Amendments to IFRS 3**

The amendments replace a reference to a previous version of the IASB's *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed financial statements of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

##### **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

##### **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the interim condensed financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

### 3 CHANGES IN ACCOUNTING POLICIES OF THE COMPANY (continued)

#### 3.1 New standards, interpretations and amendments adopted by the Company (continued)

##### IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the interim condensed financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

### 4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents, comprise of the following:

	<i>30 September 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
Cash in hand	70,979	8,359
Cash at bank (Note a)	285,490,183	135,022,623
Short-term deposit (Note b)	10,008,667	-
	<u>295,569,829</u>	<u>135,030,982</u>

a- Cash at bank include an amount of SR 26.3 million (31 December 2021: SR 11.16 million) representing certified cheques issued for the transfer of legal title of properties under finance leases (due to local applicable legal requirements) and shall be adjusted upon completion of such transfer.

b- Short-term deposit are made for a period between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

### 5 NET INVESTMENT IN FINANCE LEASES

a. Net investment in finance leases comprises of the following:

<i><u>As at 30 September 2022 (Unaudited)</u></i>	<i><u>Current portion</u></i>	<i><u>Non-current portion</u></i>	<i><u>30 September 2022</u></i>
Gross investment in finance leases	26,455,285	276,474,407	302,929,692
Less: Unearned finance income	(13,739,838)	(103,141,194)	(116,881,032)
	<u>12,715,447</u>	<u>173,333,213</u>	<u>186,048,660</u>
Allowance for expected credit loss			(16,962,898)
<b>Net investment in finance leases</b>			<u><u>169,085,762</u></u>

**5 NET INVESTMENT IN FINANCE LEASES (continued)**

	<u>Current portion</u>	<u>Non-current portion</u>	<i>31 December 2021</i>
<i>As at 31 December 2021 (Audited)</i>			
Gross investment in finance leases	23,622,908	259,339,264	282,962,172
Less: Unearned finance income	<u>(12,398,794)</u>	<u>(96,647,297)</u>	<u>(109,046,091)</u>
	11,224,114	162,691,967	173,916,081
Allowance for expected credit loss			<u>(18,467,862)</u>
Net investment in finance leases			<u>155,448,219</u>

- a. Maturity analysis of the gross and net investment in finance lease based on the contractual maturity is as follows:

**i. Gross investment in finance lease**

	<i>30 September 2022</i> (Unaudited)	<i>31 December 2021</i> (Audited)
Less than 1 year	<b>26,455,285</b>	23,622,908
1 to 5 years	<b>123,371,786</b>	110,587,654
Over 5 years	<b>153,102,621</b>	148,751,610
	<u><b>302,929,692</b></u>	<u>282,962,172</u>

**ii. Unearned finance income**

	<i>30 September 2022</i> (Unaudited)	<i>31 December 2021</i> (Audited)
Less than 1 year	<b>13,739,838</b>	12,398,794
1 to 5 years	<b>53,895,257</b>	49,280,904
Over 5 years	<b>49,245,937</b>	47,366,393
	<u><b>116,881,032</b></u>	<u>109,046,091</u>

**iii. Net investment in finance lease before allowance for expected credit losses**

	<i>30 September 2022</i> (Unaudited)	<i>31 December 2021</i> (Audited)
Less than 1 year	<b>12,715,447</b>	11,224,114
1 to 5 years	<b>69,476,529</b>	61,306,750
Over 5 years	<b>103,856,684</b>	101,385,217
	<u><b>186,048,660</b></u>	<u>173,916,081</u>

DAR AL TAMLEEK COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)  
 NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)  
 For the nine-months period ended 30 September 2022

**5 NET INVESTMENT IN FINANCE LEASES (continued)**

b. Movement in allowance for expected credit loss for the period ended 30 September 2022 is as follows:

	<i>For the nine- months period ended 30 September 2022</i>	<i>For the nine- months period ended 30 September 2021</i>
	(Unaudited)	(Unaudited)
Balance at the beginning of the period	18,467,862	19,725,406
Net reversal for the period	(208,869)	(1,092,944)
Write off during the period	(1,296,095)	-
Balance at the end of the period	<u>16,962,898</u>	<u>18,632,462</u>

**6 SERVICING RIGHTS UNDER AGENCY ARRANGEMENTS**

Movement in the servicing rights under agency arrangements is as follows:

	<i>30 September 2022</i>	<i>31 December 2021</i>
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	497,738,213	471,415,002
Addition during the period / year	43,662,566	89,174,943
Amortization for the period / year	(54,065,198)	(62,851,732)
Balance at the end of the period / year	<u>487,335,581</u>	<u>497,738,213</u>

**7 ACCOUNTS PAYABLE AND OTHER LIABILITIES**

Accounts payable and accrued liabilities comprise of the following:

	<i>30 September 2022</i>	<i>31 December 2021</i>
	(Unaudited)	(Audited)
Accounts payable and accruals:		
- Related parties (note 8)	207,879,486	59,774,634
- Third parties	98,132,978	119,584,486
Advances from customers	20,154,381	15,949,840
Employee related costs:		
- Key management personnel	5,524,082	11,479,153
- Others	8,366,531	13,939,610
Accrued zakat (note 10)	8,334,751	12,076,363
Accrued board remuneration	1,256,995	1,758,500
	<u>349,649,204</u>	<u>234,562,586</u>

## 8 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions mainly pertain to finance leases, agency services, real estate development and technical advisory, which are undertaken at mutually agreed terms and conditions and approved by the Company's management.

During the period, the Company transacted with the following related parties:

<u>Name</u>	<u>Relationship</u>
General Organization for Social Insurance (GOSI)	Shareholder
The Company for Cooperative Insurance (Tawuniya)	Common Ownership
Sukuk Dar Al Tamleek Company	Subsidiary
Arab National Bank	Common Directorship

### 8.1 Amount due from related party included in accounts receivable and other assets

<u>Name</u>	<u>Closing balance</u>	
	<u>30 September</u> <u>2022</u>	<u>31 December</u> <u>2021</u>
General Organization for Social Insurance (GOSI)	<b>12,469,076</b>	16,070,976
The Company for Cooperative Insurance (Tawuniya)	<b>154,684</b>	200,682
	<b><u>12,623,760</u></b>	<u>16,271,658</u>

### 8.2 Amount due to related party included in accounts payables and accruals

<u>Name</u>	<u>Closing balance</u>	
	<u>30 September</u> <u>2022</u>	<u>31 December</u> <u>2021</u>
General Organization for Social Insurance (GOSI)	<b>175,761,998</b>	36,395,428
Arab National Bank	<b>17,172,388</b>	11,901,264
The Company for Cooperative Insurance (Tawuniya)	<b>14,903,313</b>	11,434,609
Sukuk Dar Al Tamleek Company	<b>41,787</b>	43,333
	<b><u>207,879,486</u></b>	<u>59,774,634</u>

## 9 SHARE CAPITAL

As at 30 September 2022, the Company's authorised share capital as per its By-Laws is SR 358.75 million (31 December 2021: SR 358.75 million) divided into 35.875 million shares of SR 10 each (31 December 2021: 35.875 million shares of SR 10 each).

In accordance with the Company's By-laws and the Saudi Arabian Regulations for Companies, the Company set aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Company.

## 10 ZAKAT

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Custom Authority ("ZATCA"). Zakat expense is charged to the statement of profit or loss and other comprehensive income.

Zakat expense is charged to the interim condensed statement of profit or loss and other comprehensive income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

The Company made a provision for Zakat amounting to SAR 25 million in "Accounts payable and accruals" in previous years. Since ZATCA did not initiate any reviews and based on recent ZATCA treatments in similar cases, the Company has applied the statute of limitation. Therefore the Company obtained the Board of Directors approval on 31 March 2022 and reversed the provision for Zakat as "Reversal of accruals no longer required" in interim condensed statement of profit or loss and other comprehensive income on 30 September 2022.

## 10 ZAKAT (continued)

The movement in the zakat provision for the period / year is as follows:

	<i>30 September</i> <i>2022</i> <b>(Unaudited)</b>	<i>31 December</i> <i>2021</i> (Audited)
Balance at the beginning of the period / year	<b>12,076,363</b>	16,386,267
Zakat charge for the period / year	<b>4,007,209</b>	7,748,821
Payment made during the period / year	<b>(7,748,821)</b>	(12,058,725)
<b>Balance at the end of the period / year</b>	<b>8,334,751</b>	12,076,363

### Status of assessment

The Company has filed zakat returns for all years from 2009 to 2021 (inclusive) with the Zakat, Tax and Customs Authority (“ZATCA”), which are subject to review by the ZATCA.

During the year 2018, the Company reached a final settlement with the ZATCA for the years 2014 to 2017 of SR 13,523,324.

Accordingly, the Company filed zakat return for the years 2018 to 2021 in line with the basis of settlement agreement with ZATCA and calculation rules of zakat levied upon financing activity and obtained restricted zakat certificate. ZATCA has not issued any queries or assessment to date to the Company.

The Company’s zakat advisor has reviewed the zakat computations, including the assessment of all key deductible and non-deductible components of zakat base. Accordingly, the zakat advisor and management of the Company jointly believe that in lieu of prior decision issued by the Bureau of Grievance in respect of the aforementioned matter and other pertinent factors, all zakat exposures of the Company for the years from 2009 up to and including 2021 stand adequately provided for.

## 11 BASIC AND DILUTED EARNINGS PER SHARE

Basis earnings per share is calculated based on distributable profit to shareholders for ordinary shares and using weighted average number of ordinary shares at the date of the financial statements.

During the period, there are no transactions that reduce the earnings (loss) per share and therefore the earnings per diluted share is not different from earnings (loss) of basic shares.

## 12 FAIR VALUE 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. As the accompanying condensed interim financial statements are prepared under the historical cost method, except for the investments at fair value through other comprehensive income (“FVOCI”), Servicing rights under agency arrangements, and the employees’ end of service benefits, differences may arise between the book values and the fair value estimates. At the reporting date, management believes that the fair values of the Company’s financial assets and liabilities are not materially different from their respective carrying values.

### 13 FINANCIAL RISK MANAGEMENT

#### Credit Risk

It is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company has established procedures to manage credit exposure including, credit approvals, credit limits, collateral and guarantee requirements. These procedures are based on the Company's internal guidelines. The carrying amount of financial assets recorded in the interim condensed financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, profit rate risk and other price risk, such as equity price risk and commodity risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

#### Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, the management manages assets with liquidity in mind, maintaining an appropriate balance of cash and cash equivalents and credit lines and monitors future cash flows and liquidity on regular basis.

#### Capital management

The Board of Director's policy is to maintain a strong capital base so as to maintain investor, credit and market confidence and to sustain future development of the business of the Company. Capital consists of ordinary shares and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The net debt to equity ratio as at 30 September 2022 and 31 December 2021 is as follows:

	<i>30 September 2022</i>	<i>31 December 2021</i>
Total liabilities	<b>423,093,894</b>	294,057,823
Less: Cash and cash equivalents	<b>(295,569,829)</b>	(135,030,982)
<b>Adjusted net debt</b>	<b>127,524,065</b>	159,026,841
Total shareholders' equity	<b>600,979,480</b>	566,392,494
<b>Adjusted net debt to equity ratio</b>	<b>21.22%</b>	28.08%

### 14 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved and authorized for issue by the management on 2 Rabi Al-Thani 1444H (corresponding to 27 October 2022G).