

SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2015
TOGETHER WITH INDEPENDENT AUDITORS' REPORT ON
LIMITED REVIEW**



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CPA's & Consultants
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(A Saudi Closed Joint Stock Company)

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INDEPENDENT AUDITORS' REPORT ON LIMITED REVIEW

**SHAREHOLDERS OF
SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)**

Scope of Review: We have reviewed the accompanying interim statement of financial position of SAUDI HOME LOANS COMPANY (SHL) (A Saudi Closed Joint Stock Company) as of September 30, 2015 and the related interim statements of profit or loss and other comprehensive income, cash flows, changes in shareholders' equity for nine months period then ended, and the notes from (1) to (21) which are an integral part of these interim financial statements which have been prepared by the Company's management and have been prepared by them in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34); and, submitted to us together with all the information and explanations which we requested. These interim condensed financial statements are the responsibility of the Company's management.

Our review was limited for the interim condensed financial statements and was conducted in accordance with standard on review of interim financial reporting issued by the Saudi Organization For Certified Public Accountant ("SOCPA"). The limited review consists principally of analytical procedures applied to financial data and inquiries of the Company's personnel responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards in Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion: Based on our limited review, we are not aware of any material modifications that should be made to the interim condensed financial statements to be in conformity with IAS 34.

Emphasis of matter: We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.



**AlAzem & AlSudairy
Certified Public Accountants**

**Abdullah M. AlAzem
License No. 335**

Safar 20, 1436H (December 03, 2015)
Riyadh, Saudi Arabia

SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2015
(Saudi Riyals)

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3b)	105,713,198	2,827,136
Accrued finance lease income receivable	26,174,694	20,889,586
Current portion of finance lease investments (Notes 3c & 5)	193,504,705	184,215,312
Current portion of deferred origination fees (Notes 3g & 6)	3,001,869	2,944,879
Prepaid expenses and other assets, net (Note 8)	11,075,382	10,200,513
Advances to property owners (Note 9)	14,633,000	39,144,200
Due from related parties (Note 7)	1,361,225	1,427,358
Non-current assets held for sale (Note 3e)	272,385	272,385
Total current assets	<u>355,736,458</u>	<u>261,921,369</u>
Non-Current Assets:		
Non-current portion of finance lease investments (Notes 3c & 5)	3,419,847,374	3,369,965,282
Non-current portion of deferred origination fees (Notes 3g & 6)	31,296,131	32,641,305
Property and equipment, net (Note 3f)	11,398,636	8,973,620
Total non-current assets	<u>3,462,542,141</u>	<u>3,411,580,207</u>
Total assets	<u>3,818,278,599</u>	<u>3,673,501,576</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	1,133,187	2,071,326
Accrued expenses and other liabilities (Notes 3h & 14)	15,239,230	31,854,091
Advance lease rental	12,291,865	11,965,743
Current portion of tawaruq financing facilities (Note 13)	280,829,190	154,783,699
Provision for estimated Zakat and income tax (Notes 3k and 15)	22,679	9,599,222
Total current liabilities	<u>309,516,151</u>	<u>210,274,081</u>
Non - Current Liabilities:		
Non-current portion of tawaruq financing facilities (Note 13)	2,279,349,509	2,323,794,514
End of service benefits (Note 3j)	3,411,024	3,044,318
Total non-current liabilities	<u>2,282,760,533</u>	<u>2,326,838,832</u>
Total liabilities	<u>2,592,276,684</u>	<u>2,537,112,913</u>
Shareholders' Equity:		
Share capital (Note 10)	800,000,000	800,000,000
Statutory reserve (Note 11)	44,997,883	36,016,581
General reserve (Note 12)	37,503,377	28,522,075
Retained earnings	343,500,655	271,850,007
Total shareholders' equity	<u>1,226,001,915</u>	<u>1,136,388,663</u>
Total liabilities and shareholders' equity	<u>3,818,278,599</u>	<u>3,673,501,576</u>

The accompanying notes from (1) to (21) are an integral part of these interim condensed financial statements

SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE

INCOME

FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2015

(Saudi Riyals)

	For three months ended September 30		For nine months ended September 30	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
Lease finance income (Note 3m)	62,348,916	55,393,405	184,722,682	170,616,369
Service fees, net (Note 3m)	3,554,061	3,482,140	10,927,499	6,508,403
Financing charges	(18,650,308)	(17,869,205)	(57,302,638)	(56,241,569)
Net lease finance income	47,252,669	41,006,340	138,347,543	120,883,203
Application and evaluation fee income (Note 3m)	483,800	1,063,250	1,429,270	4,518,250
Total operating income	47,736,469	42,069,590	139,776,813	125,401,453
General and administrative expenses (Note 3n)	(13,132,279)	(8,940,356)	(34,927,597)	(28,135,293)
Selling and marketing expenses (Note 3n)	(4,980,522)	(5,394,782)	(15,086,216)	(16,895,545)
Net operating income	29,623,668	27,734,452	89,763,000	80,370,615
Other income	-	-	50,019	-
Net income for the period	29,623,668	27,734,452	89,813,019	80,370,615
Other Comprehensive Income:				
Items that will not be reclassified subsequently to profit or loss	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Total comprehensive income for the period	29,623,668	27,734,452	89,813,019	80,370,615
Basic and diluted earnings per share (Note 16)	0.37	0.35	1.12	1.00

The accompanying notes from (1) to (21) are an integral part of these interim condensed financial statements

SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2015
(Saudi Riyals)

	September 30, 2015	September 30, 2014
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Cash Flows from Operating Activities		
Net profit for the period	89,813,019	80,370,615
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation	1,325,664	972,016
Changes in assets and liabilities:		
Net change in related party balances	66,133	(1,448,134)
Prepaid expenses and other assets	(874,869)	(11,090,411)
Advances to property owners	24,511,200	28,599,002
Accrued finance lease income receivable	(5,285,108)	5,263,327
Accrued expenses and other liabilities	(16,614,861)	8,913,589
Advance lease rental	326,122	(25,274,119)
Accounts payable	(938,139)	(1,487,682)
Net change in deferred origination fees	1,288,184	(5,315,804)
Net change in end of service benefits	366,706	479,641
Zakat and income tax paid	(9,776,310)	(4,791,192)
Net cash provided by operating activities	<u>84,207,741</u>	<u>75,190,848</u>
Cash Flows from Investing Activities		
Net change in finance lease investments	(59,171,485)	14,817,776
Purchase of property and equipment	(3,750,680)	(2,805,212)
Net cash (used in) provided by investing activities	<u>(62,922,165)</u>	<u>12,012,564</u>
Cash Flows from Financing Activities		
Net change in tawaruq financing facilities	81,600,486	(79,987,569)
Net cash provided by (used in) financing activities	<u>81,600,486</u>	<u>(79,987,569)</u>
Net increase in cash and cash equivalents	102,886,062	7,215,843
Cash and cash equivalents at the beginning of the period	<u>2,827,136</u>	<u>67,297,336</u>
Cash and cash equivalents at the end of the period	<u>105,713,198</u>	<u>74,513,179</u>

The accompanying notes from (1) to (21) are an integral part of these interim condensed financial statements

SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2015
(Saudi Riyals)

	For the nine month period ending September 30, 2014				
	Capital	Statutory reserve	General reserve	Retained earnings	Total Shareholders' Equity
Beginning of the period	800,000,000	24,771,371	17,276,865	188,992,849	1,031,041,085
Net income for the period	-	-	-	80,370,615	80,370,615
	800,000,000	24,771,371	17,276,865	269,363,464	1,111,411,700

	For the nine month period ending September 30, 2015				
	Capital	Statutory reserve	General reserve	Retained earnings	Total Shareholders' Equity
Beginning of the period	800,000,000	36,016,581	28,522,075	271,850,007	1,136,388,663
Transfer from retained earnings	-	8,981,302	-	-	8,981,302
Transfer from retained earnings	-	-	8,981,302	-	8,981,302
Net income for the period	-	-	-	89,813,019	89,813,019
Zakat and income tax adjustment	-	-	-	(199,767)	(199,767)
Transferred to statutory reserve	-	-	-	(8,981,302)	(8,981,302)
Transferred to general reserve	-	-	-	(8,981,302)	(8,981,302)
	800,000,000	44,997,883	37,503,377	343,500,655	1,226,001,915

The accompanying notes from (1) to (21) are an integral part of these interim condensed financial statements

SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2015

1. ACTIVITIES

Saudi Home Loans Company (SHL) ("the Company") is a Saudi closed joint stock company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010241934 dated Dul Al Hejja 22, 1428H (corresponding to January 1, 2008). The Company also operates under Saudi Arabian General Investment Authority (SAGIA) license no: 102030072425-01 dated 23 Rajab 1430H (corresponding to July 16, 2009).

The principal activities of the Company is to finance the purchase of houses and residential land and apartments, financing of real estate properties that are developed by all companies operating in the real estate development and financing the establishment of commercial and industrial projects, except in Mecca and Madina.

2. BASIS OF PREPARING THE INTERIM FINANCIAL STATEMENTS

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34- "Interim Financial Reporting". These financial statements have been prepared on the historical cost basis except for revaluation of investments, which are carried at fair value.

These 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 audited financial statements for the year ended 31 December 2014.

In management's opinion, these interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements as at and for the year ended 31 December 2014.

- a) The adoption of new standards, amendments and revisions to existing standards, as mentioned below, which had no significant financial impact on the interim condensed financial statements of the Company:

Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. The IASB made amendments to nine standards, which included an amendment to IFRS 13 Fair Value Measurement. It clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

Standards issued not yet effective

In addition to the above mentioned standards, the following standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. Further, the Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015 .

However, on 19 September 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9) amending IFRS 9 to include the new general hedge accounting model. In its February 2014 meeting, the IASB decided that IFRS 9 would be mandatorily effective for years ending on or after 31 December 2018.

b) **Cash and cash equivalents --**

Cash and cash equivalents comprise cash on hand and at bank.

c) **Finance lease investments --**

Finance lease investments represent notes receivable from customers on finance lease. Leases are classified as finance lease whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee .

d) **Provision for lease losses --**

The Company reviews its problem lease contract receivables on a monthly basis to assess whether specific provisions for impairment should be recorded in the statement of income . In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required . Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions .

e) **Non-current asset held for sale --**

Represents properties acquired in satisfaction of debts and management's intention is to sell these properties in the near future. Properties available for sale are stated at the lower of cost or net realizable value .

f) Property and equipment--

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated useful lives of the principal classes of assets are as follows :

	<u>Years</u>
Leasehold improvements	10 years
Motor vehicles	4 years
Furniture, fixture and office equipment	4-10 years
Computers and software	3-5 years

g) Deferred origination fees --

Deferred origination fees comprises of the unamortized portion of commission paid to a shareholder for deals originated through their channel. This fees is amortized using the straight-line method over the period of the respective lease contracts.

h) Accrued expenses and other liabilities --

Accrued expenses and other liabilities include rent received from customers in advance, security deposits and unapplied receipts from the customers.

i) Impairment --

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

j) End of service benefits --

End of service benefits, as required by Saudi Arabian Labour Law, are provided in the interim financial statements based on the employees' length of service.

k) Estimated Zakat and income tax --

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is charged to the Saudi shareholders' equity account while income tax is charged to the foreign shareholders' equity account. Zakat and income tax are provided on an accrual basis. The zakat charge is computed on the zakat base. Income tax is computed on adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

l) Provisions --

A provision is made when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

m) Revenue recognition --

Finance leases income is calculated using the effective yield method which recognizes income based on the accrual method. Unearned finance income represents unearned income on leases and is deducted from the balance of notes receivable resulting from leases, which represents the remaining leases balance .

Lease finance income is recognized over the term of the lease using the effective yield method. On certain leases, the Company charges a non-refundable front-end fee which is recognized as income when received .

Service fees are accrued on a time proportionate basis, as the services are rendered and are recorded net of related expenses.

n) Operating expenses --

The Company follows accrual basis of accounting to record the operating expenses and recognized as expenses in the interim statement of income in the period in which they are incurred. Expenses that are deferred for more than one financial period are allocated to expenses over such periods using historical cost.

o) Foreign currency transactions --

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the interim statement of income.

4. ADJUSTMENTS RELATED TO THE PERIOD

The company's management has prepared all the adjustments needed to fairly present the financial position and the results of its operations, however the results of its operations for the period ended September 30, 2015 and 2014 may or may reflect of the actual results of the audited yearly financial statement.

5. FINANCE LEASE INVESTMENTS

The Company generates substantially all of its revenues from leasing real estate in the Kingdom of Saudi Arabia. Gross amounts due in relation to the finance leases are due from individual customers. Title deeds of the underlying properties are in the name of the Company, except for those where the ownership has been transferred to Arab National Bank (a shareholder) in accordance with the terms of the facilities agreements for Tawaruq Financing facilities (Refer to Note 13), and for those where the ownership has been kept under the name of Kingdom Installment Company (a shareholder) as a custodian in accordance with the custodian agreement.

6. DEFERRED ORIGINATION FEES

Deferred origination fees comprises of the unamortized portion of commission paid to Arab National Bank, a shareholder for deals originated through their channel. This fees is amortized using the straight-line method over the period of the respective lease contracts.

7. RELATED PARTY TRANSACTIONS

The Company, in its ordinary course of business transacts with the following related parties. The terms of those billings and charges are similar to the terms of ordinary trade receivables and payables:

<u>Name</u>	<u>Relationship</u>
Arab National Bank	Shareholder
Afwaf Investment Company	Affiliate

Due from related parties, is comprised of the following:

	<u>September 30, 2015</u> <u>(Unaudited)</u>	<u>December 31, 2014</u> <u>(Audited)</u>
Arab National Bank	1,360,381	1,427,358
Afwaf Investment Company	844	-
Total	<u>1,361,225</u>	<u>1,427,358</u>

Compensation of directors and other key management personnel

	<u>For three months ended</u> <u>September 30</u>		<u>For nine months ended</u> <u>September 30</u>	
	<u>2015</u> <u>(Unaudited)</u>	<u>2014</u> <u>(Unaudited)</u>	<u>2015</u> <u>(Unaudited)</u>	<u>2014</u> <u>(Unaudited)</u>
Total key management benefits	<u>2,848,041</u>	<u>2,354,359</u>	<u>8,562,101</u>	<u>7,588,635</u>
	<u>2,848,041</u>	<u>2,354,359</u>	<u>8,562,101</u>	<u>7,588,635</u>

8. PREPAID EXPENSES AND OTHER ASSETS, NET

Prepaid expenses and other assets comprised of the following:

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Pre paid facility fee	2,100,000	-
Advance tax	2,413,708	3,059,929
Insurance	854,496	5,144,927
Prepaid rent	335,809	586,941
Employees' receivables	236,827	341,146
Prepaid software maintenance	84,972	378,710
Others	6,201,312	1,840,602
Provision for doubtful debts	(1,151,742)	(1,151,742)
	<hr/>	<hr/>
Net	11,075,382	10,200,513

9. ADVANCES TO PROPERTY OWNERS

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

10. CAPITAL

Capital is divided into 80 million shares of SAR 10 each as of 30 September 2015 are as follows:

	No. of shares	Share capital
Arab National Bank	32,000,000	320,000,000
Dar Al Arkan Real Estate Development Company	12,000,000	120,000,000
Kingdom Installment Company	7,200,000	72,000,000
Youssef bin Abdullah Al Shalash	6,400,000	64,000,000
Tareq Mohammad Al Jarallah	4,800,000	48,000,000
Hathloul Bin Saleh Al Hathloul	4,800,000	48,000,000
International Finance Corporation	4,000,000	40,000,000
Abdulatif Bin Abdullah Al Shalash	4,000,000	40,000,000
Inma Almadaen Company	3,200,000	32,000,000
Daem Al Khaleej Company	1,600,000	16,000,000
	<hr/>	<hr/>
Total	80,000,000	800,000,000

11. STATUTORY RESERVE

In accordance with the Saudi Arabian Companies Regulations and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 50% of the capital. This reserve is not available for dividend distribution.

12. GENERAL RESERVE

On Rajab 2, 1433H (corresponding to June 19, 2012), the shareholders agreed to establish a general reserve by the appropriation of 10% of the annual net income, until the reserve equals 30% of the share capital.

13. TAWARUQ FINANCING FACILITIES

This item represents the Tawaruq financing facilities from Arab National Bank (a shareholder) and Gulf International Bank to finance the long term investments. Arab National Bank facilities are secured by promissory notes, transfer of certain property title deeds ownership and assignment of contracts and proceeds from long term investments in favor of the bank. These facilities bear finance charges at SIBOR plus annual profit margin ranging from 2% to 2.5% .Twenty percent of these facilities will be repaid in eight to ten equal semi-annual installments starting from 2015 with the last installment due at facility maturity date.

In their meetings held on March 27, 2014, and July 7, 2014 respectively, the Board of Directors in accordance with the provisions of Article 24 of the Company's Bylaws resolved for the Company to enter into an Asset Sale Agreement with Arab National Bank to sell long term investments with a carrying value of SR 706.5 million represented by 1,404 deals in settlement of facilities equal to the carrying value of these long term investments. This comprised of three transactions executed on March 27, 2014, May 22, 2014, and July 20, 2014 respectively.

As part of the Asset Sale Agreement and the Board of Directors resolutions, Arab National Bank has signed a Service Agreement with the Company and has appointed them to render administrative services in relation to the sold investments. Service fees charged during the nine month period mounting to SR 12.4 million (SR 7.3 million during the nine months ended 30 September 2014) with related expenses amounting to SR 2.1 million (SR 1.1 million during the nine months ended 30 September 2014), which is considered to be at market value for the amount of services provided.

Gulf International Bank facility is a Murabaha facility for a period of 5 years; 20% of which will be repaid in 10 equal semi-annual payments and the remaining 80% will be repaid as a lump sum on the final maturity date. The facility is secured through the issuance of promissory notes and against contract receivables covering 120% of the finance amount. The facility bears a finance charge of SIBOR plus a profit margin of 1.95%

14. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities comprised of the following:

	September 30, 2015	December 31, 2014
	(Unaudited)	(Audited)
Employees' related expenses	5,262,212	5,516,210
Maintenance commitments on finance lease contracts	4,906,363	5,200,663
Accrued Tawaruq financing charges	1,426,482	19,771,656
Accrued rent	1,183,950	-
Accrued insurance	819,805	-
Accrued legal and consultation fees	275,000	850,648
Others	1,365,418	514,914
Total	15,239,230	31,854,091

15. PROVISION FOR ESTIMATED ZAKAT AND INCOME TAX

The following is an analysis of movements in the provision for estimated Zakat and income tax:

	September 30, 2015	December 31, 2014
	(Unaudited)	(Audited)
Balance at the beginning of the period / year	9,599,222	7,285,897
Provision for the period / year	-	7,104,517
Advance tax adjustment	(3,059,929)	(2,491,239)
Income tax adjustment	199,767	-
Paid during the period / year	(6,716,381)	(2,299,953)
Total	22,679	9,599,222

16. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings per share for the nine months period ended 30 September 2015 and 30 September 2014 have been computed by dividing the net income for the relevant periods by the weighted average number of issued outstanding shares for the nine month period ended 30 September 2015 and 30 September 2014, respectively. The relevant average is 80,000,000 for the nine months periods ended September 30, 2015 and 2014.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the interim balance sheet principally include cash and its equivalents, accounts receivables and other assets, accounts payable, accruals and other liabilities

- **Credit risk:** Is the risk that one party will fail to fulfil an obligation and will cause the other party to incur a financial loss. The company seeks to reduce its credit risk with respect to customers by regular monitoring of outstanding receivables.
- **Currency risk:** is the risk of changes in the value of financial instruments due to changes in exchange rates for foreign currencies; the transactions of the company are essentially in Saudi Riyals. Management believes that the currency risk is not substantial.
- **Liquidity risk:** is the risk that the company will encounter difficulties in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at an amount close to its fair value. The company manages its liquidity risk by ensuring that the necessary funds are available when needed.

18. FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable parties in an arm's length transactions. Management believes that the fair value of the company's financial assets and liabilities are not materially different from their carrying values.

19. COMMITMENT AND CONTINGENCIES

The Company has contingencies related to outstanding letter of guarantee issued by the Company in its normal course of business amounting to SR 45,638,701 issued in favor of DZIT related to the Zakat and tax assessments raised for previous years.

The Company faces during its normal activity some lawsuits and other claims related to the nature of its activity, however, significant claims are not expected to result from the outstanding lawsuits as at the financial statements date.

20. GENERAL

The figures in these interim financial statements are rounded to the nearest Saudi riyal

21. INTERIM RESULTS

The results of operations for the interim periods may not be a fair indication of the results of the full year operations of the Company.