AJIL Financial Services Company
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS

31 DECEMBER 2015

Building a better working world

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AUDITORS' REPORT TO THE SHAREHOLDERS OF AJIL FINANCIAL SERVICES COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

Scope of audit

We have audited the accompanying statement of financial position of AJIL Financial Services Company, a Saudi Closed Joint Stock Company (the "Company") as at 31 December 2015 and the related statements of profit or loss, other comprehensive income, cash flows and changes in equity for the year then ended and the related notes from 1 to 29, which form an integral part of these financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Financial Reporting Standards, the provisions of Article 123 of the Regulations for Companies and the Company's bye-laws and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unqualified opinion

In our opinion, the financial statements taken as a whole:

i) present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and the results of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

ii) comply with the requirements of the Regulations for Companies and the Company's bye-laws with respect to the preparation and presentation of the financial statements.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

ارنست ويونغ
ترخيص رقم ٤٥
PROFESSIONAL LICENCE NO.45
ERNST & YOUNG

21 Jumada Al Ula 1437H
1 March 2016

Jeddah

15/1/FL

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	*2015* *SR*	*2014* *SR*
Revenues	19	**228,823,782**	269,256,801
OPERATING EXPENSES			
Provision for lease losses	6	**(36,199,789)**	(30,769,650)
Depreciation	9	**(1,578,346)**	(1,425,972)
Amortization	10	**(1,211,931)**	(931,195)
General and administrative expenses	20	**(75,262,352)**	(72,744,597)
Financial charges	21	**(28,707,057)**	(16,480,185)
		(142,959,475)	(122,351,599)
PROFIT BEFORE ZAKAT AND TAX		**85,864,307**	146,905,202
Zakat and income tax	18	**(17,356,781)**	(22,928,584)
NET PROFIT FOR THE YEAR		**68,507,526**	123,976,618

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	***2015*** ***SR***	*2014* *SR*
Net profit for the year		**68,507,526**	123,976,618
Other comprehensive income:			
Items to be reclassified to profit or loss in subsequent periods:		**-**	-
Items not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gain / (loss) on employee's terminal benefits	14	**460,600**	(1,692,600)
Total other comprehensive income / (loss) for the year		**460,600**	(1,692,600)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**68,968,126**	122,284,018

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	***2015 SR***	*2014 SR*
ASSETS			
Cash and bank balances	4	**66,067,794**	71,453,287
Prepayments and other receivables	5	**331,792,349**	355,408,395
Net investment in finance leases	6	**1,993,699,274**	1,138,297,940
Margin deposits	7	**208,850,042**	279,086,520
Net servicing asset for sold finance lease receivables	8	**6,264,133**	90,022,906
Property and equipment	9	**5,277,140**	5,182,939
Intangible assets	10	**3,300,117**	4,308,136
TOTAL ASSETS		**2,615,250,849**	1,943,760,123
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	**500,000,000**	500,000,000
Statutory reserve	12	**84,245,772**	75,659,341
Retained earnings		**306,225,072**	295,875,394
Actuarial losses	14	**(1,232,000)**	(1,692,600)
TOTAL EQUITY		**889,238,844**	869,842,135
LIABILITIES			
Trade and other payables	15	**84,851,040**	99,949,613
Due to related parties	16	**38,796,321**	18,402,502
Short term loans	17	**1,529,816,667**	887,500,000
Zakat and income tax	18	**58,770,496**	56,591,973
Employees' terminal benefits	14	**13,777,481**	11,473,900
TOTAL LIABILITIES		**1,726,012,005**	1,073,917,988
TOTAL EQUITY AND LIABILITIES		**2,615,250,849**	1,943,760,123

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Notes	*Saudi shareholders SR*	*Foreign shareholders SR*	*Total SR*
2015				
SHARE CAPITAL				
Balance as at 1 January 2015 and 31 December 2015	11	**375,000,000**	**125,000,000**	**500,000,000**
STATUTORY RESERVE	12			
Balance as at 1 January 2015		**56,744,506**	**18,914,835**	**75,659,341**
Transferred from retained earnings		**6,439,823**	**2,146,608**	**8,586,431**
Balance as at 31 December 2015		**63,184,329**	**21,061,443**	**84,245,772**
RETAINED EARNINGS				
Balance as at 1 January 2015		**225,945,601**	**69,929,793**	**295,875,394**
Net profit for the year		**53,067,044**	**15,440,482**	**68,507,526**
Net interim dividend	13	**(32,824,632)**	**(8,902,055)**	**(41,726,687)**
Adjustment of prior period zakat and tax from dividend	13	**(7,756,290)**	**(88,440)**	**(7,844,730)**
Transferred to statutory reserve		**(6,439,823)**	**(2,146,608)**	**(8,586,431)**
Balance as at 31 December 2015		**231,991,900**	**74,233,172**	**306,225,072**
ACTUARIAL GAINS/(LOSSES)				
Balance as at 1 January 2015		**(1,269,450)**	**(423,150)**	**(1,692,600)**
Other comprehensive income for the year	14	**345,450**	**115,150**	**460,600**
Balance as at 31 December 2015		**(924,000)**	**(308,000)**	**(1,232,000)**
TOTAL EQUITY		**669,252,229**	**219,986,615**	**889,238,844**
2014				
SHARE CAPITAL				
Balance as at 1 January 2014 and 31 December 2014	11	375,000,000	125,000,000	500,000,000
STATUTORY RESERVE	12			
Balance as at 1 January 2014		45,853,561	15,284,520	61,138,081
Transferred from retained earnings		10,890,945	3,630,315	14,521,260
Balance as at 31 December 2014		56,744,506	18,914,835	75,659,341
RETAINED EARNINGS				
Balance as at 1 January 2014		188,653,285	55,431,523	244,084,808
Net profit for the year		96,384,824	27,591,794	123,976,618
Net interim dividend	13	(38,257,837)	(9,843,142)	(48,100,979)
Adjustment of prior period zakat and tax from dividend	13	(9,943,726)	379,933	(9,563,793)
Transferred to statutory reserve		(10,890,945)	(3,630,315)	(14,521,260)
Balance as at 31 December 2014		225,945,601	69,929,793	295,875,394
ACTUARIAL LOSSES	14			
Balance as at 1 January 2014		-	-	-
Other comprehensive loss for the year		(1,269,450)	(423,150)	(1,692,600)
Balance as at 31 December 2014		(1,269,450)	(423,150)	(1,692,600)
TOTAL EQUITY		656,420,657	213,421,478	869,842,135

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	*2015* *SR*	*2014* *SR*
OPERATING ACTIVITIES			
Net profit for the year before zakat and income tax		**85,864,307**	146,905,202
Adjustments for:			
Depreciation	9	**1,578,346**	1,425,972
Amortization	10	**1,211,931**	931,195
Provision for lease losses	6	**36,199,789**	30,769,650
Employees' terminal benefits	14	**3,425,049**	3,494,722
Gain on disposal of property and equipment		**(81)**	(3,639)
Change in provision in respect of fair value of margin deposits	7	**(7,450,373)**	2,626,821
Income from net servicing asset for sold finance lease receivables		**(45,471,361)**	(158,152,791)
Operating profit before changes in operating assets and liabilities		**75,357,607**	27,997,132
Changes in operating assets and liabilities:			
Net investment in finance leases		**(891,601,123)**	(60,744,326)
Prepayments and other receivables		**23,616,046**	(209,758,254)
Margin deposits		**77,686,851**	(68,582,032)
Net servicing asset for sold finance lease receivables		**129,230,134**	177,462,137
Trade and other payables		**(15,098,573)**	(2,299,506)
Due to related parties		**20,393,819**	8,016,335
Cash used in operations		**(580,415,239)**	(127,908,514)
Zakat and income tax paid	18	**(23,022,988)**	(19,671,923)
Employee's terminal benefits paid	14	**(660,868)**	(374,900)
Net cash used in operating activities		**(604,099,095)**	(147,955,337)
INVESTING ACTIVITIES			
Purchase of property and equipment	9	**(1,886,437)**	(2,227,350)
Proceeds from disposal of property and equipment		**10,059**	34,944
Net cash used in investing activities		**(1,876,378)**	(2,192,406)
FINANCING ACTIVITIES			
Proceeds from short term borrowings, net		**642,316,667**	187,500,000
Dividends paid	13	**(41,726,687)**	(48,100,979)
Net cash from financing activities		**600,589,980**	139,399,021
NET DECREASE IN CASH AND BANK BALANCES		**(5,385,493)**	(10,748,722)
Cash and bank balances at the beginning of the year	4	**71,453,287**	82,202,009
CASH AND BANK BALANCE AT THE END OF THE YEAR		**66,067,794**	71,453,287

The attached notes 1 to 29 form part of these financial statements.

1 ACTIVITIES

AJIL Financial Services Company (the "Company" or "AJIL") is registered in the Kingdom of Saudi Arabia under commercial registration number 4030122889, dated 30 Rajab 1418H (corresponding to 30 November 1997). The legal status of the Company was changed from a Limited Liability Company to a Closed Joint Stock Company under Ministerial Declaration number 206/Q, dated 18 Jumad Thani 1429H (corresponding to 22 June 2008), and according to Companies Law Provisions issued by Royal Decree number M/6 dated 27 Thul Quada 1417H (corresponding to 5 April 1997).

A new commercial registration certificate under the same number was issued by the Ministry of Commerce on 11 Rajab 1429H (corresponding to 14 July 2008).

The objectives of the Company are to engage in finance leasing of projects in the industrial, transportation, agriculture, trading sectors and other skilled professions along with finance leasing of fixed and moveable assets including but not limited to industrial buildings, warehouses, production equipment, machinery, medical equipment, building equipment, transportation equipment, all kinds of vehicles, office equipment and computers.

The Company's Head Office is located at the following address;

AJIL Financial Services Company
Jeddah 101 Building
Sari Street
P.O. Box 13624
Jeddah 21414
Kingdom of Saudi Arabia

On 21 Rajab 1435H (corresponding to 20 May 2014) the Company received a license from the Saudi Arabian Monetary Agency ("SAMA") to conduct lease financing business in the Kingdom of Saudi Arabia. The Finance Companies Control Law was issued by the Saudi Council of Ministers through its publication No. 259 dated 12 Shabaan 1433H (corresponding to 2 July 2012) and the Royal Decree No. 51 dated 13 Shabaan 1433H (corresponding to 3 July 2012) and their implementing regulations were issued by SAMA for conducting lease financing business in the Kingdom of Saudi Arabia.

These financial statements include the results, assets and liabilities of the following branches:

Commercial Registration Number	Date of Issue	Location
44861	24/12/1424H	Dammam
31244	04/06/1426H	Al-Khobar
27895	28/02/1428H	Abha
23097	07/10/1435H	Jubail
424571	21/11/1435H	Riyadh
424579	21/11/1435H	Riyadh

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the International Accounting Standards as issued by the International Accounting Standards Board ("IASB") as required by the Implementing Regulation of the Finance Companies Control Law and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared on a historical cost basis except for derivatives that have been measured at fair value.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency.

2 BASIS OF PREPARATION (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company's management. Such changes are reflected in the assumptions when they occur.

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Determination of servicing assets / liability
The Company enters into securitization and agency arrangements with banks. Under these arrangements, the Company has been appointed by the banks to service the receivables purchased by the banks. Assumptions used to calculate the servicing assets/ liability are based on estimates of collection costs to be incurred by the Company over the life of the individual securitization and agency transaction, executed under the respective securitization and agency agreement.

Determination of discount rate for present value calculations
Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the tenure of the agreement and the individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Company.

Actuarial valuation of employee benefits liabilities
The cost of the end-of-service ("employee benefits") under defined unfunded benefit plan is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation and its long-term nature, a defined unfunded benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required.

Impairment of net investment in finance lease receivables
An estimate of the collectible amount of finance lease receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the statement of profit or loss of those periods.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those used in the preparation of the Company's financial statements for the year ended 31 December 2014, prepared under International Financial Reporting Framework, except for the adoption of the following new standards and other amendments to existing standards mentioned below which had no significant financial impact on the financial statements of the Company on the current period or prior period and is expected to have no significant effect in future periods:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to existing standards – IAS 19 Defined Benefit Plans: Employee Contributions

Amendments to IAS 19 "Employee Benefits" applicable for annual periods beginning on or after 1 July 2014, requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Annual improvements to IFRS 2010-2012 and 2011-2013 cycle applicable for annual periods beginning on or after 1 July 2014. A summary of the amendments is contained as under:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). IFRS 3 has been further amended to clarify for the scope exceptions within IFRS 3 that; Joint arrangements, not just joint ventures, are outside the scope of IFRS 3. Moreover, this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 8 Operating Segments

The amendment is applied retrospectively and requires disclosure of judgments made by management in applying aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. The amendment further clarifies that the reconciliation of segment assets to total assets is required to be disclosed only if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The significant accounting policies adopted for the preparation of these financial statements are as follows:

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of other property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets. Capital work-in-progress is not depreciated.

Leasehold assets are depreciated on a straight line basis over the shorter of the useful life of the assets or the term of the lease after deducting the estimated residual value from the cost of such assets. The following rates of depreciation are applied:

Office equipment	20% to 25%
Furniture and fixtures	15%
Owned and leased motor vehicles	20%

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure for repairs and maintenance are charged to the statement of profit or loss. Expenditure that increases the value or materially extends the life of the related assets is capitalized.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Net investment in finance leases
The determination of whether an arrangement contains a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Gross investment in finance leases represents the gross lease payments receivable by the Company, and the net investment represents the present value of these lease payments, discounted at commission rate implicit in the lease. The difference between the gross investment, provision for lease losses and the net investment is recognized as unearned finance income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net investment in finance leases (continued)

Contracts based on Musharika, which in substance represents a syndicated lease arrangement, is recorded as net investment in finance lease and is stated at cost and represent the balance of the Company's share in the Musharika funding.

Provisions for lease losses

The Company reviews its delinquent finance lease receivables on a regular basis to assess whether specific provisions for impairment should be recorded in the statement of profit or loss. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash inflows 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.

In addition to specific provisions against significant finance lease receivables, the Company also makes a collective impairment provision against finance lease receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. This collective provision is based on the historical loss pattern for lease receivables and is adjusted to reflect current economic changes.

Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash at banks in current accounts and cash on hand.

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition as loans and receivables, held-to-maturity, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

Derecognition of financial assets

Any financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognised when:

- the contractual right to receive cash flows from the asset has expired; or
- the contractual right to receive cash flows from the asset has expired; but the Company has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Company has transferred its contractual right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any resulting gains or losses on derecognition of financial assets are recognized at the time of derecognition of financial assets.

When the Company has transferred its contractual right to receive cash flows from an asset but has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement takes the form of a guarantee over the transferred assets, which was provided by the Company to banks. This guarantee represents the blocked deposits or bank guarantees provided to the banks, as the case may be, till the end of the agreements.

Where the Company is appointed to service the derecognized financial asset for a fee, the Company recognises either a net servicing asset or a net servicing liability for that servicing contract. If the fee to be received is not expected to compensate the Company adequately for performing the service, a net servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the services to be provided, a servicing asset is recognised for the servicing right. The total amount of such net servicing assets has been classified separately under 'assets' in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The Company's net servicing assets and related liabilities are calculated separately for each agreement by calculating the present value of servicing assets, as per the terms of the agreements, and by estimating the present value of servicing liabilities and related provisions. The discount rate used is the rate agreed as per the terms of the respective securitization agreement. The change in present values of servicing assets, servicing liabilities and related provisions will be reassessed at each period end and the impact, if any, will be taken to the statement of profit or loss.

Following initial recognition, net servicing assets, being intangibles assets, are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Net servicing assets are amortised over their definite useful economic life (in conformity with the collection arrangements with the banks or private investors) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation of net servicing asset is charged to the statement of profit or loss.

Impairment and uncollectability of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of profit or loss. Impairment is determined as follows:

(a) for assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of profit or loss.

(b) for assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

(c) for assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective commission rate.

Financial liabilities

Initial recognition and measurement

The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value plus, directly attributable transaction costs (where applicable) and thereafter stated at their amortized cost.

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities include due to related parties, accounts payable.

Subsequent measurement

Financial liabilities are subsequently recognized for amounts to be paid in the future for services received, whether billed by the supplier or not.

Derecognition of financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. 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 must be accessible to the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Dividend distributions
The Company recognizes a liability to make cash dividends distribution to shareholders when the dividends are authorised and no longer at the discretion of the Company. The corresponding amount is directly recognized in statement of changes in equity.

Expenses
General and administrative expenses include direct and indirect costs not specifically part of the operating activities of the Company. They include salaries and other employee benefits, rent, consultancy charges, communication and others.

Loans and borrowings
Loans and borrowings are recognised at the proceeds received value by the Company.

Employees' terminal benefits - Net employee defined benefit liabilities
This represents end of service benefits plan.

End-of-service benefits as required by Saudi Arabian Labor Law are required to be provided based on the employees' length of service.

The Company's net obligations in respect of defined unfunded benefit plans ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs. The discount rate used is the market yield on government bonds at the reporting date that have maturity dates approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation.

The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognized and any unrecognized actuarial gains/losses. Currently there are no past service costs. There are also no unrecognised re-measurement gains and losses as the entire re-measurement gains and losses are recognised as income or expense in the statement of other comprehensive income during the year in which they arise.

Zakat and income tax
Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulations and charged to the statement of profit or loss. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized. However, as the shareholders have agreed that they will reimburse the Company for zakat and income tax charges, from the proceeds of the future appropriations, no adjustments are made in the financial statements to account for the effects of deferred income taxes.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Transactions in foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are presented on a net basis only when permitted under International Financial Reporting Standards, or for gains and losses arising from a group of similar transactions.

Revenue recognition

Leasing

Gross investment in finance lease represents the gross lease payments receivable by the Company, and the net investment represents the present value of these lease payments discounted at interest rate implicit in the lease. The difference between the gross investment and the net investment is recognised as unearned finance income. Finance lease income is recognised over the period of the lease on a systematic basis, which results in a constant periodic rate of return on the net investment outstanding. Direct costs incurred to generate lease finance income are netted off from earned lease income.

Income from Musharika and securitization and agency agreements

Income from Musharika includes the Company’s share of distributable profits and management fees and is recognized under the terms of the agreements on an accrual basis.

Income from securitization and agency arrangements represents gains or losses on de-recognition of financial assets including income on amortization of net servicing asset.

Lease arrangements where the Company is a lessee

Finance leases are those where the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. As lessee, the Company classifies its leases as operating leases and the rentals payable are charged to the statement of profit or loss on a straight line basis.

4 CASH AND BANK BALANCES

	2015	*2014*
	SR	*SR*
Cash in hand	**163,938**	158,510
Bank balances	**65,903,856**	71,294,777
	66,067,794	71,453,287

5 PREPAYMENTS AND OTHER RECEIVABLES

	2015 SR	*2014 SR*
Advance payments, net (see note below)	**310,731,255**	335,858,152
Prepaid expenses	**11,893,376**	9,196,591
Advances to employees	**6,489,430**	8,478,171
Other receivables	**2,678,288**	1,875,481
	331,792,349	355,408,395

Advance payments is net of advance payments made to banks, amounting to SR 314.5 million (2014: SR 390.62 million), and amount payable to banks, amounting to SR 3.8 million (2014: SR 54.76 million) under various musharika, securitization and agency agreements (see note 6).

6 NET INVESTMENT IN FINANCE LEASES

	2015 SR	*2014 SR*
Gross investment in finance leases	**2,471,636,154**	1,542,973,730
Less: unearned finance income	**(286,535,647)**	(249,474,346)
Net investment in finance leases (before provision for lease losses)	**2,185,100,507**	1,293,499,384
Less: provision for lease losses (see note 6.1)	**(191,401,233)**	(155,201,444)
Net investment in finance leases	**1,993,699,274**	1,138,297,940

6 NET INVESTMENT IN FINANCE LEASES (continued)

The maturity of the gross investment in finance lease and net investment in finance leases is as follows:

	Years	*Gross Investment SR*	*Unearned finance income SR*	*Net investment (before provision for lease losses) SR*	*Provision for lease losses SR*	*Net investment SR*
Current portion	**2016**	**1,317,587,619**	**(173,703,445)**	**1,143,884,174**	**(102,273,553)**	**1,041,610,621**
Non-current portion	**2017**	**750,120,065**	**(88,171,613)**	**661,948,452**	**(57,752,059)**	**604,196,393**
	2018	**349,864,300**	**(21,929,833)**	**327,934,467**	**(27,235,057)**	**300,699,410**
	2019	**44,951,414**	**(2,600,767)**	**42,350,647**	**(3,421,499)**	**38,929,148**
	2020	**9,112,756**	**(129,989)**	**8,982,767**	**(719,065)**	**8,263,702**
Total non-current portion		**1,154,048,535**	**(112,832,202)**	**1,041,216,333**	**(89,127,680)**	**952,088,653**
31 December 2015		**2,471,636,154**	**(286,535,647)**	**2,185,100,507**	**(191,401,233)**	**1,993,699,274**

	Years	*Gross investment SR*	*Unearned finance income SR*	*Net investment (before provision for lease losses) SR*	*Provision for lease losses SR*	*Net investment SR*
Current portion	2015	691,340,785	(147,615,151)	543,725,634	(47,204,996)	496,520,638
Non-current portion	2016	504,719,925	(74,751,003)	429,968,922	(64,004,021)	365,964,901
	2017	290,668,639	(21,967,754)	268,700,885	(36,859,971)	231,840,914
	2018	45,689,701	(4,673,268)	41,016,433	(5,793,955)	35,222,478
	2019	10,554,680	(467,170)	10,087,510	(1,338,501)	8,749,009
Total non-current portion		851,632,945	(101,859,195)	749,773,750	(107,996,448)	641,777,302
31 December 2014		1,542,973,730	(249,474,346)	1,293,499,384	(155,201,444)	1,138,297,940

6 NET INVESTMENT IN FINANCE LEASES (continued)

6.1 The movement in provision for lease losses is given below:

	2015	*2014*
	SR	*SR*
At the beginning of the year	**155,201,444**	125,806,690
Provided during the year	**36,199,789**	30,769,650
Written off during the year	**-**	(1,374,896)
At the end of the year	**191,401,233**	155,201,444

6.2 As at 31 December 2015, 13.65% of the gross investment in finance leases are with the top 5 customers (2014: 20.16%).

6.3 As at 31 December 2015, finance leases amounting to SR 20.8 million are secured against letters of credit and bank guarantees (2014: SR 14.8 million).

6.4 The Company has entered into securitization and agency agreements with certain banks whereby the Company has sold to the banks certain investments in finance leases, with partial recourse to the extent of margin deposits and bank guarantees maintained with the banks under the securitization and agency agreements. The total value of the sold investments in finance lease receivables during the year has been netted off against amounts received from the banks under the securitization and agency agreements to buy the finance lease receivables from the Company. Due to the partial recourse available to the banks, the Company recognizes a liability against guarantee and margin deposits maintained with the banks.

The Company is appointed by the banks to service the lease receivables purchased by them, and the corresponding net servicing asset are disclosed on the statement of financial position.

6.5 The Company has entered into Musharika agreements with certain investors to finance its leasing business under syndication arrangements. In accordance with the provisions of these agreements, syndicate investors participate in underlying leasing transactions and share the income generated from these syndicate leases on an agreed sharing basis. According to the syndication arrangement, the Company is responsible for the management and record keeping of the syndicate businesses. Accordingly, all the leasing documents, including collaterals, are signed by the customers in the name of the Company.

Total outstanding balance of such agreements as at 31 December 2015 amounted to SR 503.23 million (2014: SR 800.13 million). The Company recorded these transactions as net investment in finance leases up to the extent of its share in the Musharika arrangement. As at 31 December 2015, the investments in Musharika, amounted to SR 68.1 million (2014: SR 107.7 million), which represents the Company's maximum exposure in respect of these agreements.

The amount recognized as investment in Musharika is stated at cost, which represents the balance of the Company's share in the Musharika funding. The Company's share in the Musharika income for the year amounted to SR 23.3 million (2014: SR 23.4 million). The income from such Musharika is recognized on an accrual basis and is included in the earned lease income (see note 19).

6.6 Gross investment in finance leases include an amount of SR 37.20 million (2014: SR 28.99 million) due from related parties (see note 16).

6.7 The Company in ordinary course of its business, holds collateral in respect of the finance lease receivables (being the title of assets leased out) in order to mitigate the credit risk associated with them. These collaterals are not readily convertible into cash and are intended to be disposed of in case of customer default.

6.8 As at 31 December 2015, the outstanding net finance lease receivables were SR 2,185.1 million (2014: SR 1,293.5 million) and the provision for lease losses was SR 191.4 million (SR 155.2 million). Moreover the past due finance lease receivables as at 31 December 2015 were SR 300.6 million (2014: 77.4 million). Out of these past due finance lease receivables, SR 186.8 million (2014: 62.5 million) were past due for a period of 6 months or less, SR 52.9 million (2014: 7.6 million) were past due for a period of more than six months but less than twelve months and SR 60.9 million (2014: 7.3 million) were past due more than one year.

7 MARGIN DEPOSITS

	2015 ***SR***	*2014* *SR*
Margin deposits with banks	**240,389,666**	318,076,517
Less: Provision against expected defaults in respect of sold finance lease receivables (see note 6)	**(21,827,176)**	(21,827,176)
Provision in respect of fair value of margin deposits	**(9,712,448)**	(17,162,821)
	208,850,042	279,086,520

The Company has placed these funds in restricted bank accounts against receivables sold to the banks as required under certain securitization and agency agreements. This amount represents the maximum liability (against defaulted receivables, if any) of the Company according to the relevant securitization and agency agreements (see note 6).

8 NET SERVICING ASSET FOR SOLD FINANCE LEASE RECEIVABLES

Assumptions and their sensitivity involved in the calculation of net servicing assets/ liability

Under the securitization and agency agreements, the Company has been appointed by the banks to service the purchased receivables. Where the Company is appointed to service the derecognized financial assets for a fee, the Company initially recognises either a net servicing asset or a net servicing liability for that servicing contract at its fair value.

The fair value of net servicing asset/ liability is determined based on the present value of estimated future cash flows related to contractually specified servicing fees less servicing costs. The primary determinants of the fair value of net servicing asset/ liability are discount rates, estimates of servicing costs and the fixed servicing fees.

Discount rates
Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the expectation of investor's return and the individual risks of the underlying assets. Such discount rate, which ranges from 2.70% to 4.23% (2014: same), is adjusted for defaults and prepayments rates based on publicly available market data.

Servicing costs
The management assesses the cost of servicing including salaries and other direct costs. The annual change in the servicing cost represents the increment to the servicing cost as a result of inflation. Also, the calculation of discount rate and servicing cost is sensitive to expected default rate and prepayment risk, which are expected to be minimal.

Variations in one or a combination of these assumptions could materially affect the estimated values of net servicing assets. Evaluation of impairment is performed on a quarterly basis taking into consideration historical trends, past experience and forecasts of defaults and prepayments.

9 PROPERTY AND EQUIPMENT

	Office equipment SR	*Furniture and fixtures SR*	*Leased vehicles SR*	*Motor vehicles SR*	*Capital work in progress SR*	***Total 2015 SR***	*Total 2014 SR*
Cost:							
At the beginning of the year	3,992,922	5,626,990	1,002,710	652,435	-	**11,275,057**	13,813,754
Additions	945,607	296,182	-	50,590	594,058	**1,886,437**	2,227,350
Disposals	(2,836)	(365,649)	-	-	-	**(368,485)**	(234,665)
Transfers (see note 10)	-	-	-	-	(203,912)	**(203,912)**	(4,531,382)
At the end of the year	4,935,693	5,557,523	1,002,710	703,025	390,146	**12,589,097**	11,275,057
Depreciation:							
At the beginning of the year	2,310,305	2,405,401	1,002,710	373,702	-	**6,092,118**	4,869,506
Charge for the year	686,598	774,796	-	116,952	-	**1,578,346**	1,425,972
Relating to disposals	(50)	(358,457)	-	-	-	**(358,507)**	(203,360)
At the end of the year	2,996,853	2,821,740	1,002,710	490,654	-	**7,311,957**	6,092,118
Net book amounts:							
At 31 December 2015	1,938,840	2,735,783	-	212,371	390,146	**5,277,140**	
At 31 December 2014	1,682,617	3,221,589	-	278,733	-		5,182,939

10 INTANGIBLE ASSETS

	2015	*2014*
	SR	*SR*
Cost:		
At the beginning of the year (see note below)	**6,318,343**	1,786,961
Transferred from capital work in progress (see note 9)	**203,912**	4,531,382
At the end of the year	**6,522,255**	6,318,343
Amortization:		
At the beginning of the year	**(2,010,207)**	(1,079,012)
Amortized during the year (see note below)	**(1,211,931)**	(931,195)
At the end of the year	**(3,222,138)**	(2,010,207)
Net carrying value		
At 31 December	**3,300,117**	4,308,136

Intangible asset represents costs incurred with respect to the acquisition of software license fee. Intangible asset is being amortized over a useful life of 5 years. For details of “net servicing asset for sold finance lease receivables” refer note 8.

11 SHARE CAPITAL

The share capital of the Company is divided into 50,000,000 shares (2014: same) of SR 10 each.

The shareholding structure of the Company is as follows:

Shareholders

	Ownership Percentage	***2015 SR***	*2014 SR*
Saudi:			
Riyad Bank	35%	**175,000,000**	175,000,000
Zahid Group Holding Company Limited	25%	**125,000,000**	125,000,000
Al – Wasilah Rent A Car Company Limited	5%	**25,000,000**	25,000,000
Khaled Ahmed Al – Juffali Company	5%	**25,000,000**	25,000,000
Al – Yemni Motors Company Limited	5%	**25,000,000**	25,000,000
Non-Saudi:			
MC Netherlands Leasing and Finance B.V	20%	**100,000,000**	100,000,000
Mitsubishi UFJ Lease & Finance Company Limited	5%	**25,000,000**	25,000,000
		500,000,000	500,000,000

12 STATUTORY RESERVE

As required by the Saudi Arabian Regulations for Companies, 10% of the income (before zakat and income tax) for the year, has been transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the share capital. The reserve is not available for distribution.

13 DIVIDENDS

The shareholders in their general assembly meeting held on 19 May 2015 (2014: 29 June 2014), approved the distribution of dividend of SR 1.45 per share (2014: SR 1.54 per share), totaling SR 72.5 million (2014: SR 77.0 million) which was paid net of zakat amounting to SR 13.79 million (2014: SR 9.48 million) and income tax amounting to SR 9.13 million (2014: SR 9.40 million). Moreover, an adjustment of zakat and tax amounting to SR 7.84 million (2014: SR 10.01 million) has also been made from the interim dividend declared during the period in respect of zakat relating to prior periods under dispute with the Department of Zakat and Income Tax.

14 NET EMPLOYEE DEFINED BENEFIT LIABILITIES

During the year ended 31 December 2014, the Company adopted the revised IAS 19 – Employees Benefits, which is applicable for accounting periods commencing 1 January 2013. IAS 19 - Revised requires the entire actuarial gains and losses to be recognized through the statement of other comprehensive income in the year in which they occur. Consequently, the Company has recognized the entire actuarial gains as of 31 December 2014 in the statement of changes in equity.

	2015 ***SR***	*2014* *SR*
Present value of unfunded defined benefit obligation	**13,777,481**	11,473,900

The major financial assumptions used to calculate the defined unfunded benefits plan (end-of-service benefits) liabilities are as follows:

Principal actuarial assumptions	***2015***	*2014*
Discount rate	**4.60%**	4.10%
General salary increases	**5.00%**	5.00%

a) The movements in defined benefit obligation recognized in the statement of financial position are as follows:

	2015 ***SR***	*2014* *SR*
Net liability at the beginning of the year	**11,473,900**	6,661,478
Commission cost on plan obligations	**456,500**	399,800
Current service cost	**2,968,549**	3,094,922
Benefits paid during the year	**(660,868)**	(374,900)
Actuarial (gains)/losses recognized during the year	**(460,600)**	1,692,600
Net liability at the end of the year	**13,777,481**	11,473,900

b) The amounts recognised in the statement of profit or loss in respect of defined unfunded benefits plan are as follows:

	2015 ***SR***	*2014* *SR*
Employer's part of current service cost	**2,968,549**	3,094,922
Commission on net defined benefit liability	**456,500**	399,800
	3,425,049	3,494,722

15 TRADE AND OTHER PAYABLES

	2015	*2014*
	SR	*SR*
Trade payables	**53,397,594**	58,616,414
Accrued expenses	**17,256,757**	11,361,563
Advance from customers	**14,064,263**	29,631,972
Other payables	**132,426**	339,664
	84,851,040	99,949,613

16 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties (other related parties).

A summary of material balances with related parties included in the statement of financial position are as follows:

Related party	***Particulars***	***2015 SR***	*2014 SR*
Shareholder	Cash at bank	14,420,112	23,664,430
Shareholder	Gross investment in finance leases	9,216,405	10,902,492
Others	Gross investment in finance leases	27,988,564	18,093,959
Shareholder	Margin deposits	92,948,548	110,746,126
Shareholder	Short term loans	510,000,000	200,000,000

The following are the details of the major transactions with related parties during the year:

Related party	***Nature of transaction***	***2015 SR***	*2014 SR*
Shareholder	Purchases for leasing business	19,364,000	5,836,500
Shareholder	Leasing transactions	2,597,436	10,902,492
Shareholder	Financial charges	9,308,265	8,146,368
Shareholder	Short-term loans, net	310,000,000	(300,000,000)
Shareholder	Receivable purchase agreements	-	352,438,254
Shareholder	Letters of guarantees	-	141,388,787
Others	Purchases for leasing business	1,662,476,189	1,750,623,692
Others	Leasing transactions	15,914,483	43,679,829
Others	Payment for rental and support services	4,237,500	10,409,140

16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The transactions with related parties are approved by the Company's management. Balances arising from above transactions are as follows:

Due to related parties

	2015	*2014*
Shareholders:	***SR***	*SR*
Al Yemni Motors Company Limited	**17,056,000**	888,000
	17,056,000	888,000
Others:		
Juffali Industrial Products Company	**13,606,856**	10,712,950
Saudi Company of Site Technology Limited	**4,597,184**	2,159,488
The Machinery Group L.L.C.	**1,376,900**	77,900
Haji Husein Alireza and Company Limited	**1,350,000**	2,670,000
Zahid Tractor and Heavy Machinery Company Limited	**445,408**	320,705
Juffali Printing Systems Company	**245,067**	1,382,210
EJAR Machinery Rental Alternative Company Limited	**75,000**	-
Global Gypsum Company Limited	**43,906**	-
Property and Asset Management Company	**-**	122,856
Zahid Travel Group	**-**	38,394
Arabian Company for Marketing Services L.L.C.	**-**	29,999
	21,740,321	17,514,502
	38,796,321	18,402,502

Due from related parties (note 6)

	2015	*2014*
Shareholders:	***SR***	*SR*
Al -Wasilah Rent A Car Company Limited	**9,216,405**	10,902,492
	9,216,405	10,902,492
Others:		
Global Gypsum Company Limited	**11,841,350**	12,443,968
Wared Express Company Limited	**8,089,378**	5,230,938
Khaled Ahmed Al Juffali Industrial Company	**4,343,294**	-
Wared Transport Company	**2,282,101**	419,053
Khaled Ahmed Al Juffali Holding Company	**1,432,441**	-
	27,988,564	18,093,959
	37,204,969	28,996,451

Compensation of key management personnel of the Company

Remuneration and compensation of the key management executives for the year ended 31 December 2015 was SR 4.6 million (2014: SR 4.07 million). No remuneration and compensation was paid to any director during the year ended 31 December 2015 and 31 December 2014.

17 SHORT TERM LOANS

	2015 *SR*	*2014* *SR*
Short term loans	**1,529,816,667**	887,500,000

These represent short term loans drawn from various local banks against credit lines of SR 2,400.6 million (2014: SR 1,417.5 million). These facilities carry fixed special commission rate and are repayable within 6 months (2014: 9 months) from the statement of financial position date. These facilities are collateralized against promissory notes issued by the Company.

18 ZAKAT AND INCOME TAX

a) Charge for the year

	2015 *SR*	*2014* *SR*
Zakat (note (b))	**11,331,186**	13,794,078
Income tax (note (c))	**6,025,595**	9,134,506
	17,356,781	22,928,584

b) Zakat

The zakat provision for the year is based on the following:

	2015 *SR*	*2014* *SR*
Equity	**725,918,497**	708,266,595
Opening provisions and other adjustments	**1,358,397,924**	822,838,942
Book value of long term assets	**(1,631,068,981)**	(979,342,437)
	453,247,440	551,763,100
Income subject to Zakat	**101,053,022**	137,017,586
Zakat base	**453,247,440**	551,763,100

The difference between the financial and the zakat results are mainly due to the provisions, which are not allowed in the calculation of income subject to zakat.

Movement in provision during the year

The movement in zakat provision for the year was as follows:

	2015 *SR*	*2014* *SR*
At the beginning of the year	**53,987,110**	39,731,527
Provided during the year	**11,331,186**	13,794,078
Prior year adjustments	**7,756,290**	9,943,726
Payments during the year	**(13,937,976)**	(9,482,221)
At the end of the year	**59,136,610**	53,987,110

18 ZAKAT AND INCOME TAX (continued)

c) Income tax

Income tax charge relating to the non-Saudi shareholders, amounting to SR 6.0 million (2014: SR 8.7 million), consists of the current year provision, which has been provided for based on the estimated taxable profit at 20% (2014: 20%). Temporary differences arise mainly from provisions disallowed for tax purposes.

Movements in provision during the year

The movement in tax provision for the year was as follows:

	2015	*2014*
	SR	*SR*
At the beginning of the year	**2,604,863**	4,039,992
Provided during the year	**6,025,595**	9,134,506
Prior year adjustments	**88,440**	(379,933)
Paid during the year for prior year	**(2,167,801)**	(3,134,557)
Advance income tax paid	**(6,917,211)**	(7,055,145)
At the end of the year	**(366,114)**	2,604,863

Status of assessments

The Company has finalized its zakat and tax assessments up to the year ended 31 December 2008.

The Company has received an assessment for the year ended 31 December 2009, requesting for additional tax and Zakat liability, amounting to SR 1.72 million. The Company has partially agreed with the Department of Zakat and Income Tax (“DZIT”) and settled an amount of SR 0.04 million and has raised an objection to the additional zakat amount of SR 1.68 million during 2011. The DZIT rejected the Company’s objection for the year ended 31 December 2009 and the Company raised an appeal to the Preliminary Appeal Committee (PAC). During the year the PAC rejected the Company’s appeal and the Company has raised the appeal to the Higher Appeal Committee (HAC) and the decision from HAC is awaited.

The Company received an assessment for the year ended 31 December 2010 requesting for additional tax and zakat liability amounting to SR 4.5 million. The Company partially agreed with the DZIT and settled an amount of SR 2,815 and raised an objection to the additional zakat amount of SR 4.5 million. The DZIT rejected the Company’s objection and the Company raised an appeal to the Preliminary Appeal Committee (PAC). During the year the PAC rejected the Company’s appeal and the Company has raised the appeal to the Higher Appeal Committee (HAC) and the decision from HAC is awaited.

The main difference between the DZIT’s assessment and the Company’s zakat return for the years ended 31 December 2009 and 2010 is that the Company had added the loans (due to banks) to the Zakat base and deducted the net investment in finances whereas the DZIT in it assessment did not add the loans (due to banks) and did not deduct the net investment in finance leases.

The Company has received assessments for the years ended 31 December 2011 and 31 December 2012 requesting for additional tax and Zakat liability. The Company not satisfied with the assessments raised objections with the DZIT for these years which are under review by the DZIT

Zakat returns for the years ended 31 December 2011, 2012, 2013 and 2014 have been filed and currently under review by the DZIT.

19 REVENUES

	2015	*2014*
	SR	*SR*
Earned lease income (see note 6 and note ‘a’ below)	**175,902,048**	113,730,831
Net income from finance lease receivables sold to the banks (see note 23)	**52,921,734**	155,525,970
	228,823,782	269,256,801

a. Earned lease income is net of the insurance expense of SR 33.5 million (2014: SR 34.9 million)

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2015	*2014*
	SR	*SR*
Salaries and other employees benefits	**60,412,562**	56,646,476
Rent (see note 24)	**4,089,057**	3,652,521
Consultancy charges	**2,904,740**	1,905,647
Communication	**1,024,496**	1,925,356
Others	**6,831,497**	8,614,597
	75,262,352	72,744,597

21 FINANCIAL CHARGES

	2015	*2014*
	SR	*SR*
Financial charges on short term loans (note 17)	**28,206,555**	16,063,100
Bank Charges	**500,502**	417,085
	28,707,057	16,480,185

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's achieving profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to market risk, credit risk, and liquidity risk.

22.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and equity price risk.

Commission rate risk
Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market commission rates. As at 31 December 2015 and 31 December 2014, the Company is not exposed to significant commission rate risk as its special commission bearing assets and liabilities carry fixed rates.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals during the year. Accordingly, the Company is not exposed to any significant currency risk.

Equity price risk
The Company is not exposed to other price risk such as equity risk and commodity risk as the Company is neither involved in investment in trading securities nor the commodities.

22.2 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers, taking credit approvals, obtaining collaterals and by monitoring outstanding receivables. Additionally, the Company retains the ownership of the leased assets as a guarantee until the full payment by customers. Further, the leased assets are also insured against the future losses.

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.2 Credit risk (continued)

The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. These procedures are based on the Company's internal guidelines. The credit quality review process aims to allow the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

The Company manages the credit quality by ensuring that adequate collaterals are available for all the finance leases, which the management reviews on a regular basis.

For credit risk arising from financial assets of the Company, including net investment in finance lease receivables, sold lease receivables – under securitization and agency arrangements (to the extent of margin or guarantee amount – note 6) and other assets, the Company's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, where adequate collateral has not been obtained.

22.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that adequate bank facilities are available to meet any commitments, as they arise.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2015, based on contractual payment dates:

2015	***Less than 3 months SR***	***3 to 12 months SR***	***1 to 5 Years SR***	***No fixed maturity SR***	***Total SR***
Trade and other payables	30,296,768	23,233,252	-	-	**53,530,020**
Due to related parties	38,796,321	-	-	-	**38,796,321**
Short term loans	1,063,920,723	473,720,929	-	-	**1,537,641,652**
Employees' terminal benefits	-	-	-	13,777,481	**13,777,481**
Total	**1,133,013,812**	**496,954,181**	**-**	**13,777,481**	**1,643,745,474**

2014	*Less than 3 months SR*	*3 to 12 months SR*	*1 to 5 Years SR*	*No fixed maturity SR*	*Total SR*
Trade and other payables	27,098,287	10,619,264	21,238,527	-	58,956,078
Due to related parties	18,402,502	-	-	-	18,402,502
Short term loans	428,996,829	467,449,467	-	-	896,446,296
Employees' terminal benefits	-	-	-	11,473,900	11,473,900
Total	474,497,618	478,068,731	21,238,527	11,473,900	985,278,776

22.4 Capital Management

The primary objectives of the Company's capital management are to safeguard its ability to continue as a going concern, maintain healthy capital ratios in order to support its business and to provide an optimal return to its shareholders.

The Company manages its capital structure and makes adjustments to it in light of the changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.4 Capital Management (continued)

The Company monitors aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA. SAMA requires Finance Companies engaged in financing other than real estate, to maintain aggregate financing to capital ratio of three times.

	2015	*2014*
Aggregate financing to capital ratio (Net investment in finance lease divided by total equity)	**2.24 times**	1.31 times

23 FINANCE LEASE RECEIVABLES – SECURITIZATION AND AGENCY AGREEMENTS

In accordance with the terms of certain securitization and agency agreements, the Company has sold finance lease receivables to the banks.

The Company continues to manage these off statement of financial position finance lease receivables as a servicer in accordance with the securitization and agency agreements entered into with the banks (refer note 6). The Company is continuing to manage these sold receivables for an agreed fee which is disclosed as revenue (note 19). These receivables are secured by promissory notes from the customers.

The outstanding position of such off statement of financial position finance lease receivables is as follows:

	2015 ***SR***	*2014* *SR*
Balance of outstanding finance lease receivables relating to securitization and Sukuk agreements (see note below)	**1,493,211,037**	2,586,511,178

The maturity analysis of above outstanding finance lease receivables is as follows:

31 December 2015	***Up to 1 year*** ***SR***	***More than 1 year*** ***SR***
Securitization agreements	**1,157,489,687**	**335,721,350**
31 December 2014	*Up to 1 year* *SR*	*More than 1 year* *SR*
Securitization and sukuk agreements	1,516,984,776	1,069,526,402

	2015 ***SR***	*2014* *SR*
Overdue accounts settled to the banks	**239,340,290**	240,434,887
Gain recognized during the year against off-statement of financial position finance lease receivables (at the date of transfer / sale of finance lease receivables)	**3,072,773**	89,151,680

23 FINANCE LEASE RECEIVABLES – SECURITIZATION AND AGENCY AGREEMENTS (continued)

A Special Purpose Entity (the "SPE"), AJIL Cayman, a limited liability company, incorporated in the Cayman Islands, had issued a Sukuk of SR 500 million during 2012 (balance of outstanding finance lease receivables as of 31 December 2015 amounted to SR 8.97 million (2014: SR 31.73 million) relating to Sukuk) in its capacity as an agent of Sukukholders. The investment in AJIL Cayman has not been consolidated in these financial statements as the net assets of the SPE and the results for the year ended 31 December 2015 are not material to the financial statements of AJIL taken as a whole.

The Sukuk was issued for a term of 3 years and the Company was acting as a Servicing Agent under a pass-through arrangement for fixed rate receivables collected from customers and passed on to GIB Capital and Riyad Capital, the joint lead managers and bookrunners ("JLM"). The Sukuk matured on 14 April 2015 and the reserve amount of SR 50 million was received in full by the Company on 20 April 2015. Moreover, past due receivables, in relation to the Sukuk, upon its maturity, were assigned to the Company by the JLMs. Out of these past dues, an amount of SR 8.73 million has been collected subsequent to the date of maturity of the Sukuk, and the remaining past dues of SR 8.97 million, as at 31 December 2015, are yet to be collected.

24 PREMISES RENT UNDER OPERATING LEASE ARRANGEMENTS

	2015	*2014*
	SR	*SR*
Payments under operating leases recognized as an expense during the year (see note 20)	**4,089,057**	3,652,521

Premises rent under operating lease arrangements represent rentals payable by the Company for certain office properties. Leases are negotiated for an average term of one year and rentals are fixed for the same period.

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, net investment in finance leases, margin deposits, net servicing assets for sold finance lease receivables and other receivables, its financial liabilities consist of trade payables, short term loans, due to related parties and other liabilities.

The fair values of financial instruments are not materially different from their carrying values except for the net investment in finance leases.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

26 CONTINGENCIES AND COMMITMENTS

The Company has the following contingent liabilities and commitments:

	2015	*2014*
	SR	*SR*
Letters of guarantee	**113,780,880**	141,388,787

There were no outstanding letters of credit or commitments at 31 December 2015 and 31 December 2014.

27 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The 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 and interpretations, if applicable, when they become effective. The Company is in the process of assessing the impact of these new standards and interpretations on its financial statements.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

IFRS 16 Leases
IFRS 16 is issued in January 2016 that requires lessees to account for all leases (subject to certain exemptions) under a single on balance sheet model (i.e., in a manner comparable to finance leases under IAS 17). Lessees would recognise a liability to pay rentals with a corresponding asset, and would separately recognise interest expense and amortisation. The standard includes two recognition and measurement exemptions for lessees:

- leases of low-value assets (e.g. small printer;) and
- short-term leases (i.e. leases with a lease term of 12 months or less).

The new standard also requires reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee upon certain events. Lessor accounting would be essentially the same as today's lessor accounting, using IAS 17's dual classification approach.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Annual Improvements 2012-2014 Cycle
These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures
Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

27 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IAS 19 Employee Benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and Other Comprehensive Income ("OCI") and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

28 COMPARATIVE FIGURES

Certain of prior year amounts have been reclassified to conform with the presentation in the current year.

29 BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on 21 Jumada Al Ula 1437H (corresponding to 1 March 2016).