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

FINANCIAL STATEMENTS

31 DECEMBER 2013

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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 balance sheet of AJIL Financial Services Company (a Saudi Closed Joint Stock Company) ("the Company") as at 31 December 2013 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's Board of Directors and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies 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 our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

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 2013 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's bye-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356

ERNST & YOUNG

29 Rabi Awal 1435 H
30 January 2014

Jeddah

13/48/FL

BALANCE SHEET
As at 31 December 2013

	Note	*2013* *SR*	*2012* *SR*
ASSETS			
Cash and bank balances		**82,202,009**	54,051,525
Net investment in finance leases	3	**1,108,323,264**	1,224,037,501
Prepayments and other receivables	4	**145,650,141**	34,454,443
Margin deposits	5	**227,667,309**	196,337,987
Property and equipment	6	**8,944,248**	5,965,715
Net servicing asset for sold finance lease receivables	3	**109,332,252**	103,827,630
Intangible assets	7	**707,949**	1,000,893
TOTAL ASSETS		**1,682,827,172**	1,619,675,694
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable		**30,986,456**	83,290,294
Accrued expenses and other liabilities	8	**85,798,663**	125,451,061
Short term loans	10	**700,000,000**	630,000,000
Zakat and income tax	11	**43,771,519**	24,538,458
Due to related parties	9	**10,386,167**	26,815,433
Employees' terminal benefits	12	**6,661,478**	5,178,210
TOTAL LIABILITIES		**877,604,283**	895,273,456
SHAREHOLDERS' EQUITY			
Share capital	13	**500,000,000**	500,000,000
Statutory reserve		**61,138,081**	45,662,498
Retained earnings		**244,084,808**	178,739,740
TOTAL SHAREHOLDERS' EQUITY		**805,222,889**	724,402,238
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,682,827,172**	1,619,675,694

The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF INCOME

Year ended 31 December 2013

	Note	*2013* **SR**	*2012* *SR*
Revenues	15	**260,491,365**	223,049,024
OPERATING EXPENSES			
General and administrative expenses	16	**(58,901,826)**	(47,868,313)
Depreciation	6	**(1,187,988)**	(1,151,935)
Amortization	7	**(292,944)**	(427,211)
Provision for lease losses	3	**(30,715,632)**	(26,981,366)
Financial charges		**(14,637,144)**	(11,310,834)
		(105,735,534)	(87,739,659)
NET INCOME FOR THE YEAR		**154,755,831**	135,309,365
Weighted average number of shares outstanding	13	**50,000,000**	50,000,000
Earnings per share			
Earnings per share from main operations and net income for the year – SR	22	**3.10**	2.71

The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	*2013* *SR*	*2012* *SR*
OPERATING ACTIVITIES			
Net income for the year		**154,755,831**	135,309,365
Adjustments for:			
Depreciation	6	**1,187,988**	1,151,935
Amortization	7	**292,944**	427,211
Provision for lease losses	3	**30,715,632**	26,981,366
Employees' terminal benefits	12	**1,716,456**	1,267,020
Loss/(gain) on disposal of property and equipment		-	(126,366)
		188,668,851	165,010,531
Changes in operating assets and liabilities:			
Net investment in finance leases		**84,998,605**	(10,018,695)
Prepayments and other receivables		**(111,195,698)**	34,856,282
Margin deposits		**(31,329,322)**	(97,078,484)
Net servicing asset for sold finance lease receivables		**(5,504,622)**	(72,688,875)
Accounts payable		**(52,303,838)**	11,064,817
Accrued expenses and other liabilities		**(39,652,398)**	76,959,638
Due to related parties		**(16,429,266)**	7,224,857
Cash from operations		**17,252,312**	115,330,071
Zakat and income tax paid	11	**(12,616,475)**	(13,202,934)
Employees' terminal benefits paid	12	**(233,188)**	(50,463)
Net cash from operating activities		**4,402,649**	102,076,674
INVESTING ACTIVITIES			
Purchase of property and equipment	6	**(4,532,230)**	(3,010,869)
Proceeds from disposal of property and equipment	6	**365,709**	3,645,469
Net cash (used in) / from investing activities		**(4,166,521)**	634,600
FINANCING ACTIVITIES			
Proceeds/(repayment) from short term loans		**70,000,000**	(45,000,000)
Dividends paid	14	**(42,085,644)**	(24,482,381)
Net cash from / (used in) financing activities		**27,914,356**	(69,482,381)
NET INCREASE IN CASH AND BANK BALANCES		**28,150,484**	33,228,893
Cash and bank balances at the beginning of the year		**54,051,525**	20,822,632
CASH AND BANK BALANCE AT THE END OF THE YEAR		**82,202,009**	54,051,525

The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2013

		2013		
	Note	*Saudi Shareholders SR*	*Foreign shareholders SR*	*Total SR*
SHARE CAPITAL				
Balance as at 31 December 2013	13	**375,000,000**	**125,000,000**	**500,000,000**
STATUTORY RESERVE				
Balance as at 1 January 2013		**34,246,874**	**11,415,624**	**45,662,498**
Transferred from retained earnings		**11,606,687**	**3,868,896**	**15,475,583**
Balance as at 31 December 2013		**45,853,561**	**15,284,520**	**61,138,081**
RETAINED EARNINGS				
Balance as at 1 January 2013		**139,838,051**	**38,901,689**	**178,739,740**
Net income for the year		**116,066,873**	**38,688,958**	**154,755,831**
Net interim dividend	14	**(33,287,062)**	**(8,798,582)**	**(42,085,644)**
Transferred to zakat provision relating to prior year	11	**(12,809,453)**	**295,145**	**(12,514,308)**
Transferred to statutory reserve		**(11,606,687)**	**(3,868,896)**	**(15,475,583)**
Zakat and tax for current year	11	**(9,548,437)**	**(9,786,791)**	**(19,335,228)**
Balance as at 31 December 2013		**188,653,285**	**55,431,523**	**244,084,808**
TOTAL SHAREHOLDERS' EQUITY		**609,506,846**	**195,716,043**	**805,222,889**

		2012		
	Note	*Saudi Shareholders SR*	*Foreign shareholders SR*	*Total SR*
SHARE CAPITAL				
Balance as at 31 December 2012	13	375,000,000	125,000,000	500,000,000
STATUTORY RESERVE				
Balance as at 1 January 2012		24,098,672	8,032,890	32,131,562
Transferred from retained earnings		10,148,202	3,382,734	13,530,936
Balance as at 31 December 2012		34,246,874	11,415,624	45,662,498
RETAINED EARNINGS				
Balance as at 1 January 2012		84,864,233	21,326,955	106,191,188
Net income for the year		101,482,024	33,827,341	135,309,365
Net interim dividend	14	(20,499,625)	(3,982,756)	(24,482,381)
Transferred to zakat provision relating to prior year	11	(11,840,323)	(7,125)	(11,847,448)
Transferred to statutory reserve		(10,148,202)	(3,382,734)	(13,530,936)
Zakat and tax for current year	11	(4,020,056)	(8,879,992)	(12,900,048)
Balance as at 31 December 2012		139,838,051	38,901,689	178,739,740
TOTAL SHAREHOLDERS' EQUITY		549,084,925	175,317,313	724,402,238

1 ACTIVITIES

AJIL Financial Services Company ("the Company") 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 has been 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 has been 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 industrial, transportation, agriculture, trading sectors and other skilled professions along with finance leasing of fixed and moveable assets including but not limited to industrial building, warehouses, production equipment, machinery, medical equipment, building equipment, transportation equipment, all kinds of vehicles, office equipment and computers.

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

Commercial Registration Number	Date of Issue	Location
194653	04/01/1425H	Riyadh
44861	24/12/1424H	Dammam
31244	04/06/1426H	Al-Khobar
27895	28/02/1428H	Abha

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. Generally accepted accounting standards in Saudi Arabia comprise accounting standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). For matters where there is no guidance in SOCPA accounting standards, the relevant International Financial Reporting Standards ("IFRS") are adopted. The significant accounting policies adopted by the Company are as follows:

Accounting convention
The financial statements are prepared under the historical cost convention using the accrual basis of accounting and the going concern assumption.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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. The following rates of depreciation are applied:

Office equipment	20% to 25%
Furniture and fixtures	15%
Motor vehicles	20%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
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 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 income. Betterments that increase the value or materially extend the life of the related assets are capitalized.

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 with the banks 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 at an amount determined on a basis in accordance with generally accepted accounting principles. The total amount of such net servicing assets is classified separately under assets.

The Company's net servicing assets and related liabilities is 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 income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)
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 income.

Impairment and uncollectability of financial assets
An assessment is made at each balance sheet 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 income. 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 income.
(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.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for equipment, vehicles or services received, whether billed by the supplier or not.

Employees' terminal benefits
Provision is made for amounts payable under the Saudi Arabian Labour Law, applicable to employees' accumulated periods of service at the balance sheet date.

Zakat and income tax
Zakat and income tax are provided for in accordance with the Saudi Arabian fiscal regulations. The provision is charged to retained earnings. Accordingly, amounts reimbursable by the partners of such zakat and income tax are credited to retained earnings. The partners have agreed to reimburse zakat and income tax from the proceeds of the future appropriations; such amount receivable from the partners is credited to retained earnings.

As the partners have agreed that they will reimburse the Company for income tax and zakat charges, no adjustments are made in the financial statements to account for the effects of deferred income taxes.

Net investment in finance leases
Lease contracts are treated as financing lease contracts in accordance with the accounting standard on leasing issued by the Saudi Organization for Certified Public Accountants. 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, future period insurance provision, provision for lease losses and the net investment is recognized as unearned finance income.

Contracts based on Musharika, which in substance represents 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 income. 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 assumption 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. This collective provision is based on the provisioning policy of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible asset/amortization
Intangible asset represents costs incurred in respect of acquisition of software license fee. Intangible asset acquired is measured on initial recognition at cost. Following initial recognition, intangible asset is carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible asset with a finite life is amortized over the useful economic life on a straight line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Provisions
Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Statutory reserve
As required by the Saudi Arabian Regulations for Companies, 10% of the income 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 capital. The reserve is not available for distribution.

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 balance sheet date. All differences are taken to the statement of income.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable 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 liability simultaneously. Income and expense is not offset in the statement of income unless required or permitted by the generally accepted accounting principles in the Kingdom of Saudi Arabia.

Segmental reporting
A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

Revenue recognition
Leasing
Lease finance income is recognized over the term of the lease using the effective yield method. Direct costs incurred to generate lease finance income are netted off from earned lease income.

Income from Musharika and other securitization arrangements
Income from Musharika includes the Company's share of distributable profits and management fee and is recognized under the terms of the agreements on an accrual basis.

Income from other securitization arrangements represents gains or losses on de-recognition of financial assets and management fees due under the securitization and agency agreements with certain banks.

Expenses
Due to the Company's nature of activities, all expenses are classified as general and administrative expenses.

3 NET INVESTMENT IN FINANCE LEASES

	2013	*2012*
	SR	*SR*
Gross investment in finance leases (see 3.4 and 3.5 below)	**1,495,726,856**	1,503,962,074
Less: unearned finance income	**(236,402,442)**	(169,580,568)
Less: future periods insurance premium	**(25,194,460)**	(15,252,947)
Net investment in finance leases (before provision for lease losses)	**1,234,129,954**	1,319,128,559
Less: provision for lease losses	**(125,806,690)**	(95,091,058)
Net investment in finance leases	**1,108,323,264**	1,224,037,501

3 NET INVESTMENT IN FINANCE LEASES (continued)

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

	2013				
	Years	*Gross investment*	*Unearned finance income*	*Future period insurance provision*	*Net Investment (before provision for lease losses)*
Current portion	**2014**	**565,561,674**	**(122,368,411)**	**(9,526,485)**	**433,666,778**
Non-current portion	**2015**	**453,589,924**	**(71,180,703)**	**(7,640,401)**	**374,768,820**
	2016	**338,544,487**	**(31,646,460)**	**(5,702,528)**	**301,195,499**
	2017	**109,038,727**	**(8,370,180)**	**(1,836,695)**	**98,831,852**
	2018	**25,358,305**	**(2,760,876)**	**(427,143)**	**22,170,286**
	2019	**3,633,739**	**(75,812)**	**(61,208)**	**3,496,719**
Total non-current portion		**930,165,182**	**(114,034,031)**	**(15,667,975)**	**800,463,176**
Total		**1,495,726,856**	**(236,402,442)**	**(25,194,460)**	**1,234,129,954**

	2012				
	Years	*Gross investment*	*Unearned finance income*	*Future period insurance provision*	*Net Investment (before provision for lease losses)*
Current portion	2013	652,285,533	(103,767,908)	(6,540,424)	541,977,201
Non-current portion	2014	478,293,728	(45,308,666)	(4,834,163)	428,150,899
	2015	271,562,254	(15,616,439)	(2,803,531)	253,142,284
	2016	72,709,743	(3,973,716)	(767,532)	67,968,495
	2017	26,805,779	(885,606)	(282,965)	25,637,208
	2018	2,305,037	(28,233)	(24,332)	2,252,472
Total non-current portion		851,676,541	(65,812,660)	(8,712,523)	777,151,358
Total		1,503,962,074	(169,580,568)	(15,252,947)	1,319,128,559

3 NET INVESTMENT IN FINANCE LEASES (continued)

The movement in provision for lease losses is given below:

	2013 *SR*	*2012* *SR*
At the beginning of the year	**95,091,058**	71,653,916
Provided during the year	**30,715,632**	26,981,366
Written off during the year	**-**	(3,544,224)
At the end of the year	**125,806,690**	95,091,058

3.1 As at 31 December 2013, 23.70 % of the gross investment in finance leases are with 5 customers (2012: 23.19%).

3.2 As at 31 December 2013, 0.74 % of the gross investment in finance leases are secured against letters of credit and bank guarantees (2012: 6.61 %).

3.3 The Company has entered into purchase and securitization arrangements 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 maintained with the banks under the purchase arrangements. 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 purchase and securitization arrangements 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 to the banks in accordance with generally accepted accounting principles.

The Company is appointed by the banks to service the investments purchased by them, and the corresponding net servicing asset and net servicing liability are disclosed in the balance sheet.

3.4 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 of such agreements as at 31 December 2013 amounted to SR 977.65 million (2012: SR 416.07 million). The Company recorded these transactions as net investment in finance leases upto the extent of its share in the Musharika arrangement. As at 31 December 2013, the net investments in Musharika, amounted to SR 124.33 million (2012: SR 42.7 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 13.38 million (2012: SR 10.3 million). The income from such Musharika is recognized on an accrual basis and is included in the earned lease income (see note 15).

3.5 Gross investment in finance leases include an amount of SR 79.13 million (2012: SR 32.8 million) due from related parties (see note 9).

4 PREPAYMENTS AND OTHER RECEIVABLES

	2013 *SR*	*2012* *SR*
Advance payments, net (see note below)	**133,578,650**	24,169,031
Prepaid expenses	**2,883,812**	3,288,616
Advances to employees	**7,048,637**	4,624,466
Other receivables (see note 18)	**2,139,042**	2,372,330
	145,650,141	34,454,443

Advance payments is net of advance payments made to banks, amounting to SR 224.27 million (2012: SR 29.06 million), and amount payable to banks, amounting to SR 90.67 million (2012: SR 4.89 million) under various musharika, purchase and securitization arrangements (see note 3).

5 MARGIN DEPOSITS

	2013 *SR*	*2012* *SR*
Margin deposits with banks	**249,494,485**	218,165,163
Less: Provision against expected defaults in respect of sold finance lease receivables (see note 3)	**(21,827,176)**	(21,827,176)
	227,667,309	196,337,987

The Company has placed these funds in restricted bank accounts as security against receivables sold to the banks. This amount represents the maximum liability (against defaulted receivables, if any) of the Company according to the receivables purchase agreements and receivables service agreements (see note 3).

6 PROPERTY AND EQUIPMENT

	Office equipment SR	*Furniture and fixtures SR*	*Leased assets SR*	*Motor vehicles SR*	*Capital work in progress SR*	***Total 2013 SR***	*Total 2012 SR*
Cost:							
At the beginning of the year	2,625,391	3,807,259	1,738,310	761,235	1,620,088	**10,552,283**	19,720,638
Additions	588,811	1,035,603	-	170,358	2,737,458	**4,532,230**	3,010,869
Disposals	(126,423)	(64,711)	(735,600)	(344,025)	-	**(1,270,759)**	(12,179,224)
At the end of the year	3,087,779	4,778,151	1,002,710	587,568	4,357,546	**13,813,754**	10,552,283
Depreciation:							
At the beginning of the year	1,338,429	1,349,262	1,577,872	321,005	-	**4,586,568**	12,094,754
Charge for the year	463,807	570,123	-	154,058	-	**1,187,988**	1,151,935
Relating to disposals	(33,768)	(59,040)	(575,162)	(237,080)	-	**(905,050)**	(8,660,121)
At the end of the year	1,768,468	1,860,345	1,002,710	237,983	-	**4,869,506**	4,586,568
Net book amounts:							
At 31 December 2013	**1,319,311**	**2,917,806**	-	**349,585**	**4,357,546**	**8,944,248**	
At 31 December 2012	1,286,962	2,457,997	160,438	440,230	1,620,088		5,965,715

Capital work in progress mainly comprise of costs incurred on implementing new software (Oracle) in the Company.

7 INTANGIBLE ASSET

	Total 2013 SR	Total 2012 SR
Cost:		
At the beginning of the year	**1,786,961**	1,786,961
Additions during the year	-	-
At 31 December	**1,786,961**	1,786,961
Amortisation:		
At the beginning of the year	**(786,068)**	(358,857)
Amortised during the year (see note below)	**(292,944)**	(427,211)
At 31 December	**(1,079,012)**	(786,068)
Net carrying value		
At 31 December	**707,949**	1,000,893

Intangible asset is being amortized over a useful life of 5 years.

8 ACCRUED EXPENSES AND OTHER LIABILITIES

	2013 SR	2012 SR
Accrued expenses	**9,434,348**	8,721,415
Advance from customers	**17,198,039**	49,973,370
Present value of provision against restricted deposits (see note 5)	**14,536,000**	13,115,760
Insurance payable	**41,717,933**	48,192,414
Other payables (see note 18)	**2,912,343**	5,448,102
	85,798,663	125,451,061

9 RELATED PARTY TRANSACTIONS AND BALANCES

In the normal course of its activities, the Company transacts business with its related parties. These transactions are entered into on normal commercial terms and on arm's length basis. A summary of material balances with related parties included in the financial statements are as follows:

Related party	*Particulars*	*2013 SR*	*2012 SR*
Shareholder	Cash at bank	**51,981,898**	50,482,460
Shareholder	Gross investment in finance leases	**17,073,060**	2,400,052
Affiliates	Gross investment in finance leases	**62,054,021**	30,440,788
Shareholder	Margin deposits	**129,565,456**	93,916,499
Shareholder	Short term loans	**500,000,000**	530,000,000

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

Related party	*Nature of transaction*	*2013 SR*	*2012 SR*
Shareholder	Purchases for leasing business	**1,961,000**	4,481,445
Shareholder	Leasing transactions	**29,862,021**	29,172,444
Shareholder	Financial charges	**10,394,512**	8,284,220
Shareholder	Short-term loan borrowing	**1,605,000,000**	1,695,000,000
Shareholder	Short-term loan repayment	**1,635,000,000**	1,710,000,000
Shareholder	Receivable purchase agreements entered during the year	**998,885,446**	962,696,401
Shareholder	Letters of guarantees	**197,981,880**	40,247,361
Affiliate	Purchases for leasing business	**2,578,107,763**	1,773,114,500
Affiliate	Leasing transactions	**56,009,904**	30,545,000
Affiliate	Insurance premium and other payments	-	26,428,497
Affiliate	Payment for rental and support services	**7,580,721**	5,492,535

The transactions with related parties are approved by the Company's management.

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Balances arising from above transactions are as follows:

Due to related parties	***2013*** ***SR***	*2012* *SR*
Shareholders:		
Al Wasilah Rent a Car	**3,574**	-
Al Yemni Motors Company Limited	-	374,000
	3,574	374,000
Affiliates:		
Zahid Travel Group	**99,954**	3,269
Arabia Insurance Cooperative Company	-	4,000,878
Saudi Company of Site Technology Limited	**1,688,528**	91,164
The Machinery Group LLC	**337,000**	(22,864)
Juffali Industrial Products Company	**7,759,000**	13,343,650
Haji Husein Alireza and Company Limited	-	6,286,240
Zahid Tractor and Heavy Machinery Company Limited	**173,639**	2,189,096
Al TAAQA Alternative Solutions Company Limited	-	550,000
Juffali Printing Systems Company	**308,947**	-
Arabian Company for Marketing Services LLC	**15,525**	-
	10,382,593	26,441,433
	10,386,167	26,815,433

10 SHORT TERM LOANS

	2013 ***SR***	*2012* *SR*
Short term loans	**700,000,000**	630,000,000

These represent short term loans drawn from various banks against credit lines of SR 1,174 million (2012: SR 999 million). These facilities carry special commission rate of SIBOR plus bank margin and repayable within 12 months from the balance sheet date. These facilities are collateralized against promissory notes signed by the authorized signatories on behalf of the Company.

11 ZAKAT AND INCOME TAX

a) Zakat

Charge for the year

The zakat charge consists of:

	2013 *SR*	*2012* *SR*
Provision for the year	**9,548,437**	4,020,056
Adjustment for previous years	**12,809,453**	11,840,323
Charge for the year	**22,357,890**	15,860,379

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

	2013 *SR*	*2012* *SR*
Equity	**662,599,721**	596,663,160
Opening provisions and other adjustments	**654,326,218**	560,061,465
Book value of long term assets	**(934,988,459)**	(995,922,387)
	381,937,480	160,802,238
Income subject to Zakat	**146,801,859**	133,199,880
Zakat base	**381,937,480**	160,802,238

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:

	2013 *SR*	*2012* *SR*
At the beginning of the year	**21,770,688**	8,845,073
Provided during the year	**9,548,437**	4,020,056
Prior year adjustments	**12,809,453**	11,840,323
Payments during the year	**(4,397,051)**	(2,934,764)
At the end of the year	**39,731,527**	21,770,688

b) Income tax

Charge for the year

	2013 *SR*	*2012* *SR*
Provision for the year	**9,786,791**	8,879,992
Adjustment for previous years	**(295,145)**	7,125
Charge for the year	**9,491,646**	8,887,117

11 ZAKAT AND INCOME TAX (continued)

b) Income tax (continued)

Income tax charge relating to the non-Saudi shareholders, amounting to SR 9.8 million (2012: SR 8.9 million), consists of the current year provision, which has been provided for based on the estimated taxable profit at 20 % (2012: 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:

	2013 *SR*	*2012* *SR*
At the beginning of the year	**2,767,770**	4,148,823
Provided during the year	**9,786,791**	8,879,992
Prior year adjustments	**(295,145)**	7,125
Paid during the year for prior year	**(1,528,143)**	(4,676,026)
Advance income tax paid	**(6,691,281)**	(5,592,144)
At the end of the year	**4,039,992**	2,767,770

Status of assessments

The Company has finalized its zakat and tax assessment upto 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 has rejected the Company's objection for the year ended 31 December 2009 and the Company has raised an appeal to the Preliminary Appeal Committee (PAC). The PAC hearing took place on 6 November 2013 and decision from the PAC is awaited.

The Company has 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 has partially agreed with the DZIT and settled an amount of SR 2,815 and has raised an objection to the additional zakat amount of SR 4.5 million.

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. In case the DZIT adopts the same approach in its assessment for the years ended 31 December 2011 and onward, there could be potential additional zakat liabilities.

Zakat return for the years ended 31 December 2011 and 2012 has been filed and currently under review by the DZIT.

12 EMPLOYEES' TERMINAL BENEFITS

The movements in employees' terminal benefits are as follows:

	2013 *SR*	*2012* *SR*
At the beginning of the year	**5,178,210**	3,961,653
Charge for the year	**1,716,456**	1,267,020
Payments during the year	**(233,188)**	(50,463)
At the end of the year	**6,661,478**	5,178,210

13 SHARE CAPITAL

The shareholding structure of the Company is as follows:

Shareholders

	2013		
Saudi:	**Ownership Percentage**	**Number of Shares**	**Share Capital SR**
Riyad Bank	35%	17,500,000	175,000,000
Zahid Group Holding Company Limited	25%	12,500,000	125,000,000
Al – Wasilah Rent A Car Company Limited	5%	2,500,000	25,000,000
Khaled Ahmed Al – Juffali Company	5%	2,500,000	25,000,000
Al – Yemni Motors Company Limited	5%	2,500,000	25,000,000
Non-Saudi:			
MC Netherlands Leasing and Finance B.V	20%	10,000,000	100,000,000
Mitsubishi UFJ Lease & Finance Company Limited	5%	2,500,000	25,000,000
		50,000,000	**500,000,000**

Shareholders

	2012		
Saudi:	Ownership Percentage	Number of Shares	Share Capital SR
Riyad Bank	35%	17,500,000	175,000,000
Zahid Group Holding Company Limited	25%	12,500,000	125,000,000
Al – Wasilah Rent A Car Company Limited	5%	2,500,000	25,000,000
Khaled Ahmed Al – Juffali Company	5%	2,500,000	25,000,000
Al – Yemni Motors Company Limited	5%	2,500,000	25,000,000
Non-Saudi:			
MC Netherlands Leasing and Finance B.V	20%	10,000,000	100,000,000
Mitsubishi UFJ Lease & Finance Company Limited	5%	2,500,000	25,000,000
		50,000,000	500,000,000

14 DIVIDENDS

The Board of Directors through Board resolution, dated 15 April 2013, proposed interim cash dividends of SR 1.35 per share, totaling SR 67.5 million, representing 13.5% of share capital, to shareholders in records on 11 May 2013.

The interim cash dividends were also approved by the shareholders in the general assembly meeting held on 8 June 2013.

15 REVENUES

	2013 *SR*	*2012* *SR*
Earned lease income (see note 3)	**149,813,171**	143,285,692
Net income from sale of investments in finance lease	**110,678,194**	79,763,332
	260,491,365	223,049,024

16 GENERAL AND ADMINISTRATIVE EXPENSES

	2013 *SR*	*2012* *SR*
Salaries and other employees benefits	**45,102,422**	37,273,494
Rent	**3,192,794**	2,569,229
Consultancy charges	**1,364,974**	598,033
Communication	**1,942,787**	1,928,020
Others	**7,298,849**	5,499,537
	58,901,826	47,868,313

17 RISK MANAGEMENT

Commission rate risk
Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the commission rates. The Company is subject to commission rate risk on its commission bearing assets and liabilities, including margin deposits, net investment in finance leases, long term financing contracts and term loans. The management of the Company manages the risk by monitoring the commission rates on a regular basis.

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.

For credit risk arising from financial assets of the Company, including net investment in finance lease receivables 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.

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.

17 RISK MANAGEMENT (continued)

Liquidity risk (continued)

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2013, based on contractual payment dates:

Year ended 31 December 2013	***Less than 3 months SR'000***	***3 to 12 months SR'000***	***1 to 5 Years SR'000***	***Total SR'000***
Accounts payables	**29,586**	**1,400**	**-**	**30,986**
Accrued expenses and other liabilities	**36,690**	**19,371**	**29,737**	**85,798**
Due to related parties	**10,386**	**-**	**-**	**10,386**
Short term loans	**260,000**	**440,000**	**-**	**700,000**
Total	**336,662**	**460,771**	**29,737**	**827,170**

Year ended 31 December 2012	*Less than 3 months SR'000*	*3 to 12 months SR'000*	*1 to 5 Years SR'000*	*Total SR'000*
Accounts payables	73,908	5,566	3,816	83,290
Accrued expenses and other liabilities	72,252	20,840	32,359	125,451
Due to related parties	26,815	-	-	26,815
Short term loans	360,000	270,000	-	630,000
Total	532,975	296,406	36,175	865,556

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.

18 FINANCE LEASE RECEIVABLES PURCHASE AGREEMENTS

In accordance with the terms of certain lease receivable purchase agreements, the Company has sold finance lease receivables to the banks.

The Company continues to manage these off-balance sheet finance lease receivables as a servicer in accordance with the service agreements entered into with the banks (refer note 3). The Company is continuing to manage these sold receivables for an agreed fee which is disclosed as revenue (note 15). These receivables are secured by promissory notes from the customers.

The outstanding position of such off balance sheet finance lease receivables is as follows:

	2013 SR	*2012 SR*
Balance of outstanding finance lease receivables relating to securitization and Sukuk agreements (see note below)	**2,749,411,430**	2,309,774,964

18 FINANCE LEASE RECEIVABLES PURCHASE AGREEMENTS (continued)

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

	Upto 1 year	*More than 1 year*
Securitization and sukuk agreements (SR)	**1,640,499,280**	**1,108,912,150**

	2013	*2012*
	SR'000	*SR'000*
Overdue accounts settled to the banks	**157,221**	100,592
Gain/ (loss) recognized during the year against off-balance sheet finance lease receivables (at the date of transfer/ sale of finance lease receivables)	**92,127**	60,526
Income recognized during the year against off-balance sheet finance lease receivables	**194,452**	130,425
Expenses recognized during the year against off-balance sheet finance lease receivables	**83,774**	50,662

A Special Purpose Entity ("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 2013 amounted to SR 192.67 million (2012: SR 434.5 million) relating to Sukuk) in its capacity as an agent of Sukukholders. The Sukuk is issued for a term of 3 years and the Company will be acting as a Servicing Agent under the pass-through arrangement for fixed rate receivables collected from customers and passed on to the joint lead managers and bookrunners ("JLM"). GIB Capital and Riyad Capital acted as JLM to the issuance of Sukuk.

On behalf of the Sukukholders, the Company held an Interest Rate Swap ("IRS"), with JLM as counterparty, of a notional value of SR 182 million (fair value of which, as of 31 December 2013, was SR 0.225 million and is included within other receivables and other payables) which is covered under Sukuk Documents. Any gains or losses, arising from the changes in the fair value of derivatives, are taken directly to the statement of income. However, as all the benefits would be passed on as per the Sukuk Documents, therefore, there is no impact on the Company's statement of income.

19 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and bank balances, net investment in finance leases and other assets, its financial liabilities consist of accounts payables, short term loans, due to related parties and other liabilities.

The fair values of financial instruments, with the exception of net investment in finance lease receivables and IRS, are not materially different from their carrying values.

20 KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

At the balance sheet date, gross finance lease receivables were SR 1,496 million (2012: SR 1,504 million), net investment in finance lease receivables were SR 1,108 million (2012: SR 1,224 million) and the allowance for doubtful debts was SR 125.81 million (2012: SR 95 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the statement of income of those periods.

Useful lives of property and equipment

The management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

21 CONTINGENCIES AND COMMITMENTS

The Company has the following contingent liabilities and commitments:

	2013	*2012*
	SR	*SR*
Letters of guarantee	**197,981,880**	154,716,942

	2013	*2012*
	SR	*SR*
Letters of credit	**11,228,745**	7,076,055

22 EARNINGS PER SHARE

Earnings per share from net income from main operations is calculated by dividing the net income from main operations by the weighted average number of ordinary shares in issue during the period.

Earnings per share from net income is calculated by dividing the net income by the weighted average number of ordinary shares in issue during the period. The calculation of diluted earnings per share is not applicable to the Company.

23 SEGMENT REPORTING

The Company operates mainly in one business segment, namely, financing of various equipment on finance lease basis. The Company essentially monitors its business as a single business segment and accordingly it is the Management's opinion that segment reporting would not be relevant. The Company only operates in the Kingdom of Saudi Arabia.

24 COMPARATIVE FIGURES

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

25 BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on 30 January 2014.