

**Saudi ORIX Leasing Company
(Closed Joint Stock Company)**

FINANCIAL STATEMENTS

31 DECEMBER 2014

Together with Independent Auditor's Report



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License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Saudi Orix Leasing Company
(A Saudi Closed Joint Stock Company)
Riyadh, Saudi Arabia

We have audited the accompanying financial statements of **Saudi ORIX Leasing Company - A Saudi Closed Joint Stock Company** (the "Company") which comprise the statement of financial position as at 31 December 2014 and the related statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and the attached notes 1 through 27 which form an integral part of these financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with Article 123 of the Regulations for Companies and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

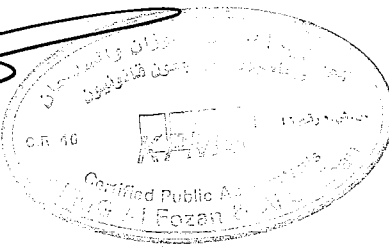
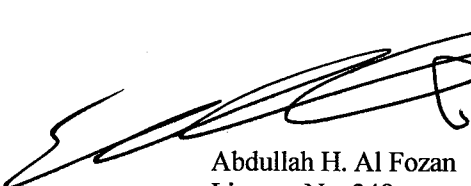
In our opinion, the financial statements taken as a whole:

- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- ii) comply with the requirements of the Regulations for Companies and the Company's Articles of Association and its By-laws with respect to the preparation and presentation of the financial statements.

Emphasis of a matter:

We draw attention to the fact that these financial statements are prepared in accordance with International Financial Reporting Standards and not in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by the Saudi Organization for Certified Public Accountants.

For KPMG Al Fozan & Al Sadhan



Abdullah H. Al Fozan
Licence No. 348

Riyadh on: 16 Rabi Thani 1436H
Corresponding to: 05 February 2015

Saudi ORIX Leasing Company (Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at

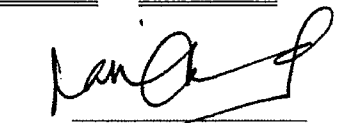
	Notes	31 December 2014 SR	31 December 2013 SR	01 January 2013 SR
ASSETS				
Non-current assets				
Property, plant and equipment	3	2,210,085	2,512,559	1,833,088
Intangible assets	3	619,057	242,074	345,843
Net investment in finance leases	4	1,025,661,700	819,198,696	653,901,106
		<u>1,028,490,842</u>	<u>821,953,329</u>	<u>656,080,037</u>
Current assets				
Current maturity of net investment in finance leases	4	1,105,589,409	913,795,690	748,463,531
Advances, prepayments and other receivables	5	11,274,389	28,224,928	5,477,821
Cash and cash equivalents	6	66,671,899	77,713,531	218,650,229
		<u>1,183,535,697</u>	<u>1,019,734,149</u>	<u>972,591,581</u>
TOTAL ASSETS		<u>2,212,026,539</u>	<u>1,841,687,478</u>	<u>1,628,671,618</u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital	7	550,000,000	340,000,000	340,000,000
Statutory reserve	7	58,105,514	46,410,669	36,390,432
Retained earnings	8	120,779,677	152,530,284	89,084,353
Cash flow hedge reserve	12	(1,054,345)	(454,804)	(134,513)
TOTAL EQUITY		<u>727,830,846</u>	<u>538,486,149</u>	<u>465,340,272</u>
LIABILITIES				
Non-current liabilities				
Long term loans	9	554,906,751	445,427,145	357,838,627
Sukuk	10	-	236,044,089	234,197,620
Employees' end of service benefits	11	9,457,827	7,349,947	6,436,034
Derivative financial instruments	12	1,054,345	454,804	134,513
		<u>565,418,923</u>	<u>689,275,985</u>	<u>598,606,794</u>
Current liabilities				
Short term loans	13	135,000,000	324,993,409	303,999,828
Sukuk	10	237,989,789	-	-
Current maturity of long term loans	9	388,923,829	153,285,098	131,222,838
Accounts payable	14	112,367,793	98,171,131	85,192,968
Accrued expenses and other liabilities	15	44,495,359	37,475,706	44,308,918
		<u>918,776,770</u>	<u>613,925,344</u>	<u>564,724,552</u>
TOTAL LIABILITIES		<u>1,484,195,693</u>	<u>1,303,201,329</u>	<u>1,163,331,346</u>
TOTAL EQUITY AND LIABILITIES		<u>2,212,026,539</u>	<u>1,841,687,478</u>	<u>1,628,671,618</u>

Commitments

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Chief Executive
Officer


Director


Chief Financial
Officer


The attached notes 1 to 27 form an integral part of these financial statements.

Saudi ORIX Leasing Company (Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

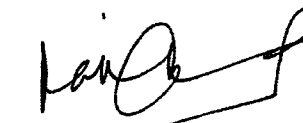
	Notes	2014 SR	2013 SR
INCOME			
Income from operations			
Finance lease		218,598,467	188,765,561
Income from other activities			
Other income	16	1,457,317	2,420,156
Total income		220,055,784	191,185,717
EXPENSES			
Special commission expense	17	36,760,683	30,866,940
Salaries and employee related expenses		42,669,012	37,114,556
Rent and premises related expenses, net		1,341,352	1,458,777
Depreciation and amortization	3	978,025	879,828
General and administrative expenses	18	4,664,256	3,760,130
Provision for lease losses	4	16,694,003	16,903,120
Total expenses		103,107,331	90,983,351
PROFIT FOR THE YEAR		116,948,453	100,202,366
Earnings per share - basic and diluted	20	2.58	2.23



Chief Executive
Officer



Director



Chief Financial
Officer


The attached notes 1 to 27 form an integral part of these financial statements.

Saudi ORIX Leasing Company (Closed Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014


	2014 SR	2013 SR
Profit for the year	116,948,453	100,202,366
Other comprehensive income		
<i>Items that are or may be reclassified to profit or loss in subsequent periods</i>		
Cash flow hedges – effective portion of changes in fair value	(599,541)	(320,291)
Total comprehensive income for the year	116,348,912	99,882,075



Chief Executive
Officer



Director



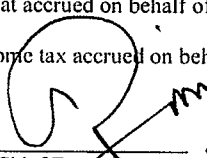
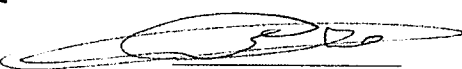
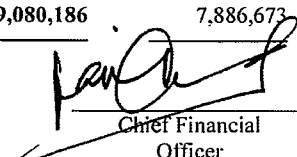
Chief Financial
Officer

The attached notes 1 to 27 form an integral part of these financial statements.

Saudi ORIX Leasing Company (Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 SR	2013 SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	116,948,453	100,202,366
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	799,540	731,083
Amortisation of intangible assets	178,485	148,745
Special commission expense	36,760,683	30,866,940
Provision for lease losses	16,694,003	16,903,120
Gain on disposal of property, plant and equipment	(17,450)	(135,623)
Operating cash flows before changes in operating assets and liabilities	171,363,714	148,716,631
Changes in operating assets and liabilities		
Net investment in finance leases	(414,950,726)	(347,532,869)
Advances, prepayments and other receivables	16,927,180	(23,309,083)
Accounts payable	14,196,662	12,978,163
Accrued expenses and other liabilities	6,572,680	(3,916,653)
Employees' end of service benefits, net	2,107,880	913,913
Net cash used in operating activities	(203,782,610)	(212,149,898)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred - property, plant and equipment and intangible assets	(1,052,534)	(1,559,181)
Proceeds from disposal of property, plant and equipment	17,450	239,274
Net cash used in investing activities	(1,035,084)	(1,319,907)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	1,645,996,670	1,659,941,533
Repayments of loans	(1,491,005,589)	(1,529,479,784)
Proceeds from right share issue	100,000,000	-
Special commission paid	(34,933,552)	(30,155,466)
Income tax paid on behalf of non-Saudi shareholders	(8,656,056)	(9,105,809)
Zakat paid on behalf of Saudi shareholders	(1,676,180)	(1,484,866)
Dividends paid, net	(15,949,231)	(17,182,501)
Net cash from financing activities	193,776,062	72,533,107
Net decrease in cash and cash equivalents	(11,041,632)	(140,936,698)
Cash and cash equivalents at the beginning of the year	77,713,531	218,650,229
Cash and cash equivalents at the end of the year	66,671,899	77,713,531
<u>Non-cash activities during the year</u>		
Fair value change on cash flow hedges	(599,541)	(320,291)
Zakat accrued on behalf of Saudi shareholders	1,974,798	1,667,024
Income tax accrued on behalf of non-Saudi shareholders	9,080,186	7,886,673
 Chief Executive Officer	 Director	 Chief Financial Officer

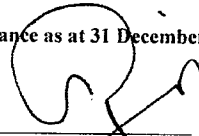
The attached notes 1 to 27 form an integral part of these financial statements.

Saudi ORIX Leasing Company (Closed Joint Stock Company)

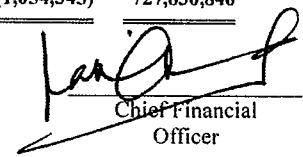
STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital SR	Statutory reserve SR	Retained earnings SR	Cash flow hedge reserve SR	Total equity SR
Balance as at 1 January 2013	340,000,000	36,390,432	89,084,353	(134,513)	465,340,272
Transfer to statutory reserve	-	10,020,237	(10,020,237)	-	-
Total comprehensive income					
Profit for the year	-	-	100,202,366	-	100,202,366
<i>Other comprehensive income</i>					
Effective portion of changes in fair value of cash flow hedges	-	-	-	(320,291)	(320,291)
<i>Transactions with owners of the Company, recorded directly in equity</i>					
Dividend paid	-	-	(25,500,000)	-	(25,500,000)
Zakat accrued (note 19)	-	-	(1,667,024)	-	(1,667,024)
Zakat recovered	-	-	1,484,866	-	1,484,866
Income tax accrued (note 19)	-	-	(7,886,673)	-	(7,886,673)
Income tax recovered	-	-	6,832,633	-	6,832,633
Total transactions with owners of the Company	-	-	(26,736,198)	-	(26,736,198)
Balance as at 31 December 2013	340,000,000	46,410,669	152,530,284	(454,804)	538,486,149
Transfer to statutory reserve	-	11,694,845	(11,694,845)	-	-
Total comprehensive income					
Profit for the year	-	-	116,948,453	-	116,948,453
<i>Other comprehensive income</i>					
Effective portion of changes in fair value of cash flow hedges	-	-	-	(599,541)	(599,541)
<i>Transactions with owners of the Company, recorded directly in equity</i>					
Issue of bonus shares	110,000,000	-	(110,000,000)	-	-
Issue of right shares	100,000,000	-	-	-	100,000,000
Dividend paid	-	-	(25,500,000)	-	(25,500,000)
Zakat accrued (note 19)	-	-	(1,974,798)	-	(1,974,798)
Zakat recovered	-	-	1,676,180	-	1,676,180
Income tax accrued (note 19)	-	-	(9,080,186)	-	(9,080,186)
Income tax recovered	-	-	7,874,589	-	7,874,589
Total transactions with owners of the Company	210,000,000	-	(137,004,215)	-	72,995,785
Balance as at 31 December 2014	550,000,000	58,105,514	120,779,677	(1,054,345)	727,830,846


Chief Executive Officer


Director


Chief Financial Officer

The attached notes 1 to 27 form an integral part of these financial statements.

Saudi ORIX Leasing Company (Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2014

1. CORPORATE INFORMATION

Saudi ORIX Leasing Company (the "Company") is a closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010163957 issued in Riyadh on 21 Shawal 1421H (corresponding to 16 January 2001), non-industrial license number 99 dated 27 Safar 1421H (corresponding to 31 May 2000) issued by the Ministry of Commerce and Industry and Finance company license number 7/A Sh/201403 dated 27 /04/ 1435H (corresponding to 27 February 2014) issued by Saudi Arabian Monetary Agency, through its four branches (31 December 2013: four branches, 01 January 2013: four branches) in the Kingdom of Saudi Arabia. The Company had 159 (31 December 2013: 143, 01 January 2013: 140) employees as at 31 December 2014.

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

Saudi ORIX Leasing Company
343, King Saud Road
Head Office
P.O. Box 22890, Riyadh 11416
Kingdom of Saudi Arabia

The Company has the following branches:

<i>Branch Commercial Registration number</i>	<i>Date</i>	<i>Location</i>
2050046083	9 Jamada Awal 1425H	Dammam
4030150057	9 Jamada Awal 1425H	Jeddah
2055013067	9 Rabi-Al-Awwal 1432H	Jubail
5855036378	9 Rabi-Al-Awwal 1432H	Khamis Mushait

The objective of the Company is to provide lease financing for movable and immovable assets to all economic sectors in the Kingdom of Saudi Arabia.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 *Statement of compliance*

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) 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.

For all periods up to and including the year ended 31 December 2013, the Company prepared its financial statements in accordance with generally accepted accounting standards 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") (hereinafter referred to as "Local GAAP"). These financial statements for the year ended 31 December 2014 are the first the Company has prepared in accordance with IFRS. Refer to Note 2.6 for information on how the Company adopted IFRS.

2.2 *Basis of preparation*

The financial statements are prepared under the historical cost convention, modified to include the measurement at fair value of derivative financial instruments.

2.3 *New standards, amendments to standards and interpretations - not yet effective*

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose

Saudi ORIX Leasing Company (Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2014

when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not likely to have an impact on Company's financial statements.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 1 'First-time adoption of International Financial Reporting Standards' clarifies that in its first time IFRS financial statements, a first-time adopter is permitted but not required to apply a new or revised IFRS that is not yet mandatory but is available for early application.
- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition's separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

The amendments are not likely to have an impact on Company's financial statements.

2.4 *Significant accounting judgements, estimates and assumptions*

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Saudi ORIX Leasing Company (Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2014

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- a) determining the residual values and useful lives of property, plant and equipment (Note 2.5.1);
- b) provision (Note 2.5.3);
- c) valuation of derivatives (Note 2.5.6); and
- d) impairment (Note 2.5.17).

2.5 The principal accounting policies adopted in the preparation of these financial statements are set out below:

2.5.1 *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount 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 entity and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalised and the asset so replaced is retired from use. All other repairs and maintenance expenditure are charged to the statement of profit or loss during the period in which they are incurred.

Depreciation is charged using the straight line method over its estimated useful life as mentioned below, after taking into account residual value.

	<i>Years</i>
Leasehold improvements	10
Office furniture and fixtures	5
Motor vehicles	5
Information technology equipment	4

Depreciation on additions is charged from the month the assets are available for use. No depreciation is charged in the month of disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains / losses on disposal of property, plant and equipment, if any, are taken to the statement of profit or loss in the period in which they arise.

Assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.5.2 *Net investment in finance leases*

Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. Finance leases are recorded at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Gross investment in finance leases include the total of future lease payments on finance leases (lease receivables), plus estimated residual amounts receivable. The difference between the lease receivables and

Saudi ORIX Leasing Company (Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2014

the cost of the leased asset is recorded as unearned lease finance income and for presentation purposes, is deducted from the gross investment in finance leases. The Company takes security deposits on leases with the right to set off against the residual value of leased assets and for presentation purposes, these deposits along with prepaid lease rentals are deducted from gross investment in finance leases.

2.5.3 Provisions

Provisions for lease losses

The Company reviews its lease receivables on a monthly 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 flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

In addition to specific provisions against individually significant lease receivables, the Company also makes a collective impairment provision against 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 any deterioration in the internal grade of the exposure since it was granted. The amount of the provision is based on the historical loss pattern for lease receivables within each grade and is adjusted to reflect current economic changes. Lease receivables are charged off, when in the opinion of management, the likelihood of any future collection is believed to be minimal.

Other provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimates.

2.5.4 Assets classified as held for sale

The Company classifies a non-current asset, if any, as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised in the statement of profit or loss for any initial or subsequent write down of the non-current asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale.

2.5.5 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires.

On derecognition of a financial asset or financial liability, the difference between the carrying amount and the consideration received (and receivable) or paid (and payable) is recognised in the statement of profit or loss.

2.5.5.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives

Saudi ORIX Leasing Company (Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2014

designated as hedging instruments in an effective hedge, as appropriate. Management determines the classification of the financial asset at the time of initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

The Company has not designated any financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date which are classified as non-current assets. Loans and receivables comprise of loans, advances, deposits, prepayments, other receivables and cash and cash equivalents. After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Restructured/ rescheduled receivables are recorded at revised terms and conditions as approved by the management. Restructuring policies and practices are based on indicators or criteria which, indicate that payment will most likely continue.

2.5.5.2 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other financial liabilities, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as financial liabilities at fair value through profit or loss or "other financial liabilities".

The Company has not designated any financial liability as fair value through profit or loss.

Other financial liabilities

Other financial liabilities (including loans and borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest rate method.

Transaction costs relating to long term loans and borrowings are being amortised over the period of agreement using the effective interest rate method.

2.5.6 Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its loan exposure to interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative

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contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in the statement of changes in equity.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been and are expected to be highly effective throughout the financial reporting periods for which they were / are designated.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of profit or loss for the period.

2.5.7 Fair value measurement

The Company measures financial instruments, such as, derivatives, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value 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 are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.5.8 Regular way Contracts

Regular way purchases or sales of financial assets are those, the contract which requires delivery of assets within the timeframe generally established by regulation or convention in the market. All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date on which the asset is delivered to or by the Company.

2.5.9 Offsetting

Financial assets and liabilities are offset and are reported net in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and when the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. Similarly, income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements.

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2.5.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks including bank overdrafts and investments with original maturity of less than three months from the contract date.

2.5.11 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Saudi Arabian Riyals which is the Company's functional and presentation currency. All financial information presented in Saudi Arabian Riyals has been rounded to the nearest Riyal, unless otherwise mentioned.

2.5.12 Foreign currency translation

Transactions in foreign currencies are translated at the rates of exchange prevailing at the dates of the respective transactions. At statement of financial position date, monetary assets and liabilities in foreign currencies are translated to Saudi Arabian Riyals at the prevailing exchange rates. Gains and losses resulting from changes in exchange rates are recognised as income or expense. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction are not retranslated at statement of financial position date.

2.5.13 Proposed dividend and transfer between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the statement of financial position date are considered as non-adjusting events and are recorded in the financial statements in the year in which they are approved / transfers are made.

2.5.14 Zakat and income tax

The Company's Saudi shareholders are subject to zakat and its non-Saudi shareholders are subject to income tax in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT") as applicable in the Kingdom of Saudi Arabia. An estimate of zakat and income tax arising therefrom is provided by a charge to retained earnings and all payments of zakat and income tax made on behalf of the shareholders are deducted from the first available dividends.

2.5.15 Revenue recognition-Finance leases

Finance lease income is recognised over the term of the lease using the effective yield method.

Service fees charged in respect of processing and other services are recognised as income as the services are rendered.

2.5.16 Employees' end of service benefits

The Company provides end-of-service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

2.5.17 Impairment and uncollectibility of assets

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. Objective evidence whether the financial assets are impaired includes:

- default or delinquency by a lessee'
- restricting of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that the party from whom an amount is due to the Company will enter bankruptcy;
- adverse changes in payment status of the lessee; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

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If such evidence exists, an 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 amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Non-Financial assets:

An assessment is made at each statement of financial position date to determine whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating unit's (CGU), fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

2.5.18 *Borrowing Costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of special commission expense and other costs that the Company incurs in connection with the borrowing of funds.

The Company has not capitalised the borrowing costs under Local GAAP on qualifying assets to the date of transition to IFRS.

2.6 *First-time adoption of IFRS*

These financial statements, for the year ended 31 December 2014, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2013, the Company prepared its financial statements in accordance with Local GAAP.

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for periods ending on or after 31 December 2014, together with the comparative period data as at and for the year ended 31 December 2013, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2013, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2013 and the financial statements as at and for the year ended 31 December 2013.

- 2.6.1** International Accounting Standard (IAS) 10, 'Events after the Statement of financial position Date' requires dividends and appropriations to reserves, except for appropriations which are required by law, made subsequent to the statement of financial position date to be considered as non-adjusting events and are to be recorded in the financial statements in the year in which they are approved / transfers are made.

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2.6.2 Reconciliation of statement of financial position as at 1 January 2013 (date of transition to IFRS)

	Notes	Local GAAP SR	Remeasurements SR	IFRS as at 01 January 2013 SR
ASSETS				
Non-current assets				
Property, plant and equipment		2,178,931	(345,843)	1,833,088
Intangible assets		-	345,843	345,843
Net investment in finance leases		653,901,106	-	653,901,106
		<u>656,080,037</u>	<u>-</u>	<u>656,080,037</u>
Current assets				
Current maturity of net investment in finance leases		748,463,531	-	748,463,531
Advances, prepayments and other receivables		5,477,821	-	5,477,821
Cash and cash equivalents		218,650,229	-	218,650,229
		<u>972,591,581</u>	<u>-</u>	<u>972,591,581</u>
TOTAL ASSETS		<u>1,628,671,618</u>	<u>-</u>	<u>1,628,671,618</u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital		340,000,000	-	340,000,000
Statutory reserve		36,390,432	-	36,390,432
Retained earnings	2.6.1	63,584,353	25,500,000	89,084,353
Cash flow hedge reserve		(134,513)	-	(134,513)
Proposed dividend	2.6.1	25,500,000	(25,500,000)	-
TOTAL EQUITY		<u>465,340,272</u>	<u>-</u>	<u>465,340,272</u>
LIABILITIES				
Non-current liabilities				
Long term loans		357,838,627	-	357,838,627
Sukuk		234,197,620	-	234,197,620
Employees' end of service benefits		6,436,034	-	6,436,034
Derivative financial instruments		134,513	-	134,513
		<u>598,606,794</u>	<u>-</u>	<u>598,606,794</u>
Current liabilities				
Short term loans		303,999,828	-	303,999,828
Current maturity of long term loans		131,222,838	-	131,222,838
Accounts payable		85,192,968	-	85,192,968
Accrued expenses and other liabilities		44,308,918	-	44,308,918
		<u>564,724,552</u>	<u>-</u>	<u>564,724,552</u>
TOTAL LIABILITIES		<u>1,163,331,346</u>	<u>-</u>	<u>1,163,331,346</u>
TOTAL EQUITY AND LIABILITIES		<u>1,628,671,618</u>	<u>-</u>	<u>1,628,671,618</u>

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2.6.3 Reconciliation of statement of financial position as at 31 December 2013

	Notes	Local GAAP SR	Remeasurements SR	IFRS as at 31 December 2013 SR
ASSETS				
Non-current assets				
Property, plant and equipment		2,754,633	(242,074)	2,512,559
Intangible assets		-	242,074	242,074
Net investment in finance leases		819,198,696	-	819,198,696
		<u>821,953,329</u>	<u>-</u>	<u>821,953,329</u>
Current assets				
Current maturity of net investment in finance leases		913,795,690	-	913,795,690
Advances, prepayments and other receivables		28,224,928	-	28,224,928
Cash and cash equivalents		77,713,531	-	77,713,531
		<u>1,019,734,149</u>	<u>-</u>	<u>1,019,734,149</u>
TOTAL ASSETS		<u>1,841,687,478</u>	<u>-</u>	<u>1,841,687,478</u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital		340,000,000	-	340,000,000
Statutory reserve		46,410,669	-	46,410,669
Retained earnings	2.6.1	127,030,284	25,500,000	152,530,284
Cash flow hedge reserve		(454,804)	-	(454,804)
Proposed dividend	2.6.1	25,500,000	(25,500,000)	-
TOTAL EQUITY		<u>538,486,149</u>	<u>-</u>	<u>538,486,149</u>
LIABILITIES				
Non-current liabilities				
Long term loans		445,427,145	-	445,427,145
Sukuk		236,044,089	-	236,044,089
Employees' end of service benefits		7,349,947	-	7,349,947
Derivative financial instruments		454,804	-	454,804
		<u>689,275,985</u>	<u>-</u>	<u>689,275,985</u>
Current liabilities				
Short term loans		324,993,409	-	324,993,409
Current maturity of long term loans		153,285,098	-	153,285,098
Accounts payable		98,171,131	-	98,171,131
Accrued expenses and other liabilities		37,475,706	-	37,475,706
		<u>613,925,344</u>	<u>-</u>	<u>613,925,344</u>
TOTAL LIABILITIES		<u>1,303,201,329</u>	<u>-</u>	<u>1,303,201,329</u>
TOTAL EQUITY AND LIABILITIES		<u>1,841,687,478</u>	<u>-</u>	<u>1,841,687,478</u>

2.6.4 Reconciliation of total comprehensive income for the year ended 31 December 2013

There are no adjustments to the total comprehensive income prepared under the Local GAAP. Therefore, reconciliation to the total comprehensive income in accordance with IFRSs is not being presented.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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2.6.5 Reconciliation of statement of cash flows for the year ended 31 December 2013

	Local GAAP SR	Reclassification SR	As per IFRS 2013 SR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year	100,202,366	-	100,202,366
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	879,828	(148,745)	731,083
Amortisation of intangible assets	-	148,745	148,745
Special commission expense	2,408,310	28,458,630	30,866,940
Provision for lease losses	16,903,120	-	16,903,120
Gain on disposal of property, plant and equipment	(135,623)	-	(135,623)
Operating cash flows before changes in operating assets and liabilities	120,258,001	28,458,630	148,716,631
Changes in operating assets and liabilities			
Net investment in finance leases	(347,532,869)	-	(347,532,869)
Advances, prepayments and other receivables	(22,747,107)	(561,976)	(23,309,083)
Accounts payable	12,978,163	-	12,978,163
Accrued expenses and other liabilities	(3,852,647)	(64,006)	(3,916,653)
Employees' end of service benefits, net	913,913	-	913,913
Net cash used in operating activities	(239,982,546)	27,832,648	(212,149,898)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred - property, plant and equipment and intangible assets	(1,559,181)	-	(1,559,181)
Proceeds from disposal of property, plant and equipment	239,274	-	239,274
Net cash used in investing activities	(1,319,907)	-	(1,319,907)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans	1,659,941,533	-	1,659,941,533
Repayments of loans	(1,529,479,784)	-	(1,529,479,784)
Special commission paid	(2,322,818)	(27,832,648)	(30,155,466)
Income tax paid on behalf of non-Saudi shareholders	(9,105,809)	-	(9,105,809)
Zakat paid on behalf of Saudi shareholders	(1,484,866)	-	(1,484,866)
Dividends paid, net	(17,182,501)	-	(17,182,501)
Net cash from financing activities	100,365,755	(27,832,648)	72,533,107
Net decrease in cash and cash equivalents	(140,936,698)	-	(140,936,698)
Cash and cash equivalents at the beginning of the year	218,650,229	-	218,650,229
Cash and cash equivalents at the end of the year	77,713,531	-	77,713,531
Non-cash activities during the year:			
Fair value change on cash flow hedges	(320,291)	-	(320,291)
Zakat accrued on behalf of Saudi shareholders	1,667,024	-	1,667,024
Income tax accrued on behalf of non-Saudi shareholders	7,886,673	-	7,886,673

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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3. PROPERTY, PLANT AND EQUIPMENT

	<i>Leasehold improvements SR</i>	<i>Office furniture and fixtures SR</i>	<i>Motor vehicles SR</i>	<i>Information technology equipment SR</i>	<i>2014 Total SR</i>
<i>Cost:</i>					
Balance at the beginning of the year	1,176,647	1,952,905	915,230	3,747,259	7,792,041
Additions during the year	5,749	75,831	67,350	348,136	497,066
Disposals	-	-	(40,600)	-	(40,600)
Balance at the end of the year	1,182,396	2,028,736	941,980	4,095,395	8,248,507
<i>Depreciation:</i>					
Balance at the beginning of the year	577,830	1,693,592	307,071	2,700,989	5,279,482
Charge for the year	116,369	82,687	152,811	447,673	799,540
Disposals	-	-	(40,600)	-	(40,600)
Balance at the end of the year	694,199	1,776,279	419,282	3,148,662	6,038,422
<i>Net book value:</i>					
At 31 December 2014	488,197	252,457	522,698	946,733	2,210,085

	<i>Leasehold improvements SR</i>	<i>Office furniture and fixtures SR</i>	<i>Motor vehicles SR</i>	<i>Information technology equipment SR</i>	<i>2013 Total SR</i>
<i>Cost:</i>					
Balance at the beginning of the year	961,855	1,786,950	769,250	3,272,031	6,790,086
Additions during the year	214,792	165,955	658,230	475,228	1,514,205
Disposals	-	-	(512,250)	-	(512,250)
Balance at the end of the year	1,176,647	1,952,905	915,230	3,747,259	7,792,041
<i>Depreciation:</i>					
Balance at the beginning of the year	476,429	1,610,509	559,615	2,310,445	4,956,998
Charge for the year	101,401	83,083	156,055	390,544	731,083
Disposals	-	-	(408,599)	-	(408,599)
Balance at the end of the year	577,830	1,693,592	307,071	2,700,989	5,279,482
<i>Net book value:</i>					
At 31 December 2013	598,817	259,313	608,159	1,046,270	2,512,559

The company also holds certain computer software and license bearing cost amounting to SR 1,261,968 (2013: SR 706,500, 01 January 2013: SR 661,524) and written down value amounting to SR 619,057 (2013: SR 242,074, 01 January 2013: SR 345,843). Amortization charge for the year amounts to SR 178,485 (2013: SR 148,745).

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4. NET INVESTMENT IN FINANCE LEASES

	2014	2013	As at 01 January 2013
	SR	SR	SR
Lease receivables			
- Performing	2,716,510,856	2,256,785,569	1,882,411,970
- Non-performing	34,326,157	30,614,362	27,719,626
Residual value	984,909,692	819,560,146	704,831,758
Gross investment in finance leases	3,735,746,705	3,106,960,077	2,614,963,354
Non-refundable security deposits	(984,096,850)	(818,696,875)	(704,051,628)
Prepaid lease rentals	(211,042,433)	(216,547,174)	(231,391,217)
Unearned lease finance income	(299,113,980)	(245,173,312)	(198,815,773)
Net investment in finance leases	2,241,493,442	1,826,542,716	1,480,704,736
Provision for lease losses	(110,242,333)	(93,548,330)	(78,340,099)
	2,131,251,109	1,732,994,386	1,402,364,637
Current maturity	(1,105,589,409)	(913,795,690)	(748,463,531)
	1,025,661,700	819,198,696	653,901,106

4.1 The maturity of the gross investment in finance leases (i.e. minimum lease payments ("MLPs")) and net investment in finance leases (i.e. present value of MLPs) is as follows:

	2014		2013		As at 01 January 2013	
	SR	PV of MLPs	SR	PV of MLPs	SR	PV of MLPs
Not later than one year	1,546,072,759	1,105,589,409	1,284,584,076	913,795,690	1,115,137,023	748,463,531
Later than one year but not later than five years	2,150,461,386	1,122,027,486	1,822,376,001	912,747,026	1,499,826,331	732,241,205
Later than five years	39,212,560	13,876,547	-	-	-	-
	3,735,746,705	2,241,493,442	3,106,960,077	1,826,542,716	2,614,963,354	1,480,704,736

4.2 The Company's implicit rate of return on leases ranges between approximately 8.00% and 14.00% (2013: 8.00% and 14.00%, 01 January 2013: 8.00% and 14.00%) per annum. These are secured against leased assets and security deposits generally upto 20.00% (2013: upto 20.00%, 01 January 2013: upto 20.00%) of the cost of leased asset, in case of finance leases.

4.3 Lease rentals received during the year aggregate to SR. 1,322 million (2013: SR. 1,136 million).

4.4 The movement in the provision for lease losses was as follows:

	2014	2013	As at 01 January 2013
	SR	SR	SR
Balance at the beginning of the year	93,548,330	78,340,099	66,985,639
Provision for the year, net	16,694,003	16,903,120	12,875,103
Balance written off during the year	-	(1,694,889)	(1,520,643)
	110,242,333	93,548,330	78,340,099

The provision for lease losses includes SAR 97.1 million (2013: SAR 82.6 million, 01 January 2013: SAR 68.3 million) evaluated on a collective impairment basis.

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5. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2014 SR	2013 SR	As at 01 January 2013 SR
<i>Advances and prepayments</i>			
Advance to suppliers - unsecured	66,510	23,323,095	135,000
Prepaid rent	761,513	717,443	731,835
Prepaid charges	725,653	559,846	906,934
Prepaid insurance	503,512	380,540	272,639
Prepaid visa cost	102,148	140,951	99,153
<i>Other receivables- Considered good</i>			
Loans and advances to staff	2,540,916	1,928,344	2,037,486
Other receivables from lessees	370,601	313,721	330,842
Others	6,203,536	860,988	963,932
	<u>11,274,389</u>	<u>28,224,928</u>	<u>5,477,821</u>

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	2014 SR	2013 SR	As at 01 January 2013 SR
Cash at banks	66,657,221	77,693,531	218,634,159
Cash in hand	14,678	20,000	16,070
	<u>66,671,899</u>	<u>77,713,531</u>	<u>218,650,229</u>

7. SHARE CAPITAL AND STATUTORY RESERVE

The pattern of shareholding as of 31 December is as follows:

2014	2013	As at 01 January 2013	Shareholders	2014 (SR)	2013 (SR)	As at 01 January 2013 (SR)
20,897,250	12,918,300	12,918,300	The Saudi Investment Bank ("SAIB")	208,972,500	129,183,000	129,183,000
17,600,000	10,880,000	10,880,000	Trade Development & Investment Group Limited	176,000,000	108,800,000	108,800,000
15,125,000	9,350,000	9,350,000	ORIX Corporation - Japan	151,250,000	93,500,000	93,500,000
1,375,000	850,000	850,000	ORIX Leasing Pakistan Limited - Pakistan	13,750,000	8,500,000	8,500,000
2,750	1,700	1,700	Mr. Musaed Bin Mohammad Bin AbdulAziz Al Mineefi	27,500	17,000	17,000
<u>55,000,000</u>	<u>34,000,000</u>	<u>34,000,000</u>		<u>550,000,000</u>	<u>340,000,000</u>	<u>340,000,000</u>

7.1 The portion of Saudi to non-Saudi shareholders (including non-Saudi shareholders in SAIB) is 66.2% to 33.8% (2013: 66.2% to 33.8%, 01 January 2013: 66.2% to 33.8%).

7.2 As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year is transferred to a 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.

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7.3 Reconciliation of fully paid ordinary shares:

	<i>Number of shares</i>	<i>Issued share capital SR</i>
Balance as at 1 January 2013	34,000,000	340,000,000
Movement during the year	-	-
Balance as at 31 December 2013	34,000,000	340,000,000
Issue of bonus shares	11,000,000	110,000,000
Issue of right shares at par	10,000,000	100,000,000
Balance as at 31 December 2014	<u>55,000,000</u>	<u>550,000,000</u>

8. RETAINED EARNINGS

Analysis of retained earnings for Saudi and non-Saudi shareholders is as follows:

	<i>Saudi Shareholders SR</i>	<i>Non-Saudi shareholders SR</i>	<i>Total SR</i>
Balance as at 1 January 2013	61,412,321	27,672,032	89,084,353
Profit for the year	66,333,966	33,868,400	100,202,366
Transfer to the statutory reserve	(6,633,397)	(3,386,840)	(10,020,237)
Zakat/income tax recovered	1,484,866	6,832,633	8,317,499
Zakat/income tax provision	(1,667,024)	(7,886,673)	(9,553,697)
Dividend paid	(16,881,000)	(8,619,000)	(25,500,000)
Balance as at 31 December 2013	104,049,732	48,480,552	152,530,284
Profit for the year	77,419,876	39,528,577	116,948,453
Transfer to the statutory reserve	(7,741,987)	(3,952,858)	(11,694,845)
Issue of bonus shares	(72,820,000)	(37,180,000)	(110,000,000)
Zakat/income tax recovered	1,676,180	7,874,589	9,550,769
Zakat/income tax provision	(1,974,798)	(9,080,186)	(11,054,984)
Dividend paid	(16,881,000)	(8,619,000)	(25,500,000)
Balance as at 31 December 2014	<u>83,728,003</u>	<u>37,051,674</u>	<u>120,779,677</u>

9. LONG TERM LOANS

	<i>2014 SR</i>	<i>2013 SR</i>	<i>As at 01 January 2013 SR</i>
<i>Secured</i>			
Long term loans (a)	903,085,016	544,464,164	410,734,691
International Finance Corporation (IFC) loan (b)	40,909,091	54,545,455	78,806,758
Less: unamortised transaction costs	(163,527)	(297,376)	(479,984)
	<u>943,830,580</u>	<u>598,712,243</u>	<u>489,061,465</u>
Less: current maturity (note 13)	<u>(388,923,829)</u>	<u>(153,285,098)</u>	<u>(131,222,838)</u>
	<u>554,906,751</u>	<u>445,427,145</u>	<u>357,838,627</u>

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- a. The long-term loans carry special commission rate equal to SIBOR plus bank margins or fixed rates payable on quarterly basis. These facilities are secured by the assignment of lease contract receivables. Under the terms of the arrangements, the Company has to adhere to certain financial and non-financial covenants.
- b. The Company has a facility from International Finance Corporation (“IFC”), amounting to USD 20 million (SR 75 million). This loan is repayable over a period of 7 years from the date of first drawdown (i.e. 23 July 2010) in equal half yearly installments with a grace period of 24 months. This facility carries fixed special commission rate and is secured against assignment of lease contract receivables.

10. SUKUK

On 26 December 2012, the Company issued a Sukuk amounting to SR 240 million at par value. The Sukuk is listed on Tadawul – Saudi Stock Exchange. The Sukuk bears a return based on three month SIBOR plus 165 basis points payable quarterly in arrears. The Sukuk is due for maturity at par on its expiry date of 26 December 2015. The Sukuk is shown net of related unamortized transaction cost.

11. EMPLOYEES' END OF SERVICE BENEFITS

	2014	2013	As at 01 January 2013
	SR	SR	SR
Balance at the beginning of the year	7,349,947	6,436,034	5,332,046
Charged during the year	2,509,381	2,009,744	1,661,784
Paid during the year	(401,501)	(1,095,831)	(557,796)
Balance at the end of the year	<u>9,457,827</u>	<u>7,349,947</u>	<u>6,436,034</u>

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2014	2013	As at 01 January 2013
	SR	SR	SR
Interest rate swaps- cash flow hedge	<u>1,054,345</u>	<u>454,804</u>	<u>134,513</u>

As at 31 December 2014, the Company held Interest Rate Swaps (“IRS”) of a notional value of around SR 742.1 million (2013: SR 432.8 million, 01 January 2013: SR 115.8 million), in order to reduce its exposure to interest rate risks against long term loans and Sukuk.

Net fair value of cash flows hedge of SR 1,054,345 (2013: SR 454,804, 01 January 2013: SR 134,513) represents the positive mark to market value of SR 85,371 and negative mark to market value of SR 1,139,716 of the interest rate swaps as of 31 December 2014. The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the statement of profit or loss when the hedged transaction impacts the income or loss.

13. SHORT TERM LOANS AND CURRENT MATURITY OF LONG TERM LOANS

	2014	2013	As at 01 January 2013
	SR	SR	SR
Short term loans - secured	<u>135,000,000</u>	<u>324,993,409</u>	<u>303,999,828</u>
Current maturity of long term loans (note 9)	<u>388,923,829</u>	<u>153,285,098</u>	<u>131,222,838</u>

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The loan facilities available from commercial banks amounted to SR 1,598 million (2013: SR 1,426 million, 01 January 2013: SR 1,554 million). The short term loans carry special commission rate equal to SIBOR plus bank margin. The facilities are secured by the assignment of lease contract receivables. Under the terms of the arrangements, the Company has to adhere to certain financial and non-financial covenants.

14. ACCOUNTS PAYABLE

These represent non-interest bearing payables against purchase of assets leased by the Company. The average credit period on purchases of assets from certain suppliers is one month.

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	2014	2013	As at 01 January 2013
	SR	SR	SR
Proposed lease related payables (a)	17,806,320	17,346,386	23,051,613
Salaries and employee related expenses	8,079,921	6,231,853	5,680,283
Zakat and income tax accrued on behalf of shareholders	5,728,405	5,005,657	6,042,635
Accrued special commission expense	3,445,353	3,771,125	3,707,118
Insurance claims to be settled	2,227,528	1,937,227	1,093,660
Insurance premium payable	2,857,402	716,987	395,107
Legal and professional charges	410,276	321,935	463,937
Sukuk related accruals	50,000	-	1,943,587
Others	3,890,154	2,144,536	1,930,978
	<u>44,495,359</u>	<u>37,475,706</u>	<u>44,308,918</u>

a. These include advance security deposits, prepaid lease payments and front-end fees of lease contracts not executed as at statement of financial position date, and other payables for lessees.

16. OTHER INCOME

	2014	2013
	SR	SR
Liabilities written back, net	-	1,393,757
Others	1,457,317	1,026,399
	<u>1,457,317</u>	<u>2,420,156</u>

17. SPECIAL COMMISSION EXPENSE

	2014	2013
	SR	SR
Special commission expense on:		
- Long term loans	21,066,412	14,989,900
- Sukuk	6,801,227	6,857,253
- Short term loans	5,535,362	5,525,669
Amortisation of transaction costs and others	3,324,603	3,465,623
Bank charges	33,079	28,495
	<u>36,760,683</u>	<u>30,866,940</u>

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18. GENERAL AND ADMINISTRATIVE EXPENSES

	2014 SR	2013 SR
License, legal and professional charges	1,528,806	1,112,609
Communication expenses	908,816	812,762
Office repair and maintenance cost	654,407	410,791
Printing and stationery	369,898	353,342
Advertising and promotion expenses	584,916	492,296
Travelling and transportation	316,874	277,411
Insurance of own assets	64,276	44,847
Others	236,263	256,072
	<u>4,664,256</u>	<u>3,760,130</u>

19. ZAKAT AND INCOME TAX

a) Zakat

Charge for the year

The zakat charge of SR 1,974,798 (2013: SR 1,667,024) for the year consists of the current year provision amounting to SR 1,974,873 (2013: SR 1,676,255) and prior year adjustment of SR 75 (2013: SR 9,231) and is based on the following:

	2014 SR	2013 SR
Shareholders' equity at beginning	513,440,953	439,974,785
Opening provisions and adjustments	7,349,947	6,436,034
Borrowings, net	683,800,770	563,089,666
Book value of long term assets	(4,379,643)	(4,126,589)
Net investment in finance leases	(2,131,251,109)	(1,732,994,386)
	<u>(931,039,082)</u>	<u>(727,620,489)</u>
Adjusted profit for the year	119,327,682	101,284,293
	<u>(811,711,400)</u>	<u>(626,336,197)</u>

As the zakat base for the years 2014 and 2013 are negative, zakat is calculated based on adjusted profit for the years ended 31 December, attributable to the ultimate Saudi shareholders as follows:

	2014 SR	2013 SR
Adjusted profit attributable to Saudi shareholders	78,994,925	67,050,202
Zakat @ 2.5%	1,974,873	1,676,255
Prior year adjustment	(75)	(9,231)
	<u>1,974,798</u>	<u>1,667,024</u>

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Movement in provision

	2014 SR	2013 SR
Balance as at 1 January	2,140,665	1,958,507
Provided during the year	1,974,798	1,667,024
Payment during the year	(1,676,180)	(1,484,866)
Balance as at 31 December	<u>2,439,283</u>	<u>2,140,665</u>

b) *Income tax*

Charge for the year

Income tax liability for the years 2014 and 2013 has been calculated based on adjusted profit for the years ended 31 December as follows:

	2014 SR	2013 SR
Adjusted profit attributable to Non-Saudi shareholders	40,332,756	34,234,091
Income tax payable @ 20%	8,066,551	6,846,818
Income tax under protest (see note (c) below)	1,128,515	1,142,651
Prior year adjustment	(114,880)	(102,796)
	<u>9,080,186</u>	<u>7,886,673</u>

Movement in provision

	2014 SR	2013 SR
Balance as at 1 January	2,864,992	4,084,128
Provided during the year	9,080,186	7,886,673
Payment during the year	(8,656,056)	(9,105,809)
Balance as at 31 December	<u>3,289,122</u>	<u>2,864,992</u>

c) *Status of assessments*

Zakat assessment for the period ended 31 December 2001 and for the years ended 31 December 2002, 2003 and 2004 have been assessed at SR 3.8 million in excess of the provision made in these financial statements. This is principally due to the fact that the Department of Zakat and Income Tax ("DZIT") has not allowed a deduction from zakat base of the net investment in finance leases.

The Company has appealed against this treatment but its appeal was disallowed early in 2010 by the Preliminary Appeal Committee. The Company has filed an appeal to the Higher Appeal Committee. There is a potential risk of an additional claim of SR 118 million, if the same principle were to be applied for all subsequent periods up to 31 December 2014.

On the basis of expert opinion received, the Company considers it unlikely that the present position of DZIT will be upheld throughout the appeal process, because the issue of deduction of net investment in leases has industry wide implications not only for leasing companies but also for mortgage finance business and any other finance related business where the main assets are receivables. The matter is now before the appropriate regulatory authorities for discussion, as the present treatment by the DZIT is highly discriminatory for Saudi shareholders and detrimental to the growth of financial intermediation in the Country with adverse consequence for Saudi economy.

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Due to the uncertainties involved, the Company is unable to assess accurately the final outcome of this matter and has not provided for any potential additional liability in these financial statements. The Saudi shareholders have issued written proportionate guarantees to the Company to reimburse it in full for the potential Zakat liability, should it be payable.

Further, the Company has protested the disallowances of the provision for lease losses in the adjusted profits and has filed an appeal against the same. For the year ended 31 December 2014, in order to avoid any penalty due to late payments, the Company has in addition to the zakat and income tax liability indicated in the returns, paid / provided income tax "under protest" on behalf of the shareholders, in respect of the income tax likely to arise if the provision for lease losses were to be disallowed.

20. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the shareholders by weighted average number of shares at the end of the year.

21. COMMITMENTS

	2014	2013	As at 01 January 2013
	SR	SR	SR
Finance lease contracts not yet executed	115,644,775	97,720,909	57,714,914
Operating lease commitments for office premises	3,700,000	3,700,000	7,862,517
Letter of credit	8,000,643	-	78,806,250
Bank guarantees issued on behalf of the Company	6,708,811	6,708,811	6,708,811

22. SEGMENT REPORTING

A segment is a distinguishable component that is engaged in providing products or services (a business segment), which is subject to risks and rewards that are different from those of other segments.

The Company essentially monitors its business as a single business segment and accordingly it is Management's opinion that segment reporting would not be relevant. The Company only operates in the Kingdom of Saudi Arabia.

23. CAPITAL ADEQUACY

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base. Capital adequacy ratios measure capital adequacy by comparing the Company's eligible capital with its statement of financial position assets, commitments and notional amount of derivatives, if any, at a weighted amount, as monitored by the Company's management, to reflect their relative risk.

	31 December 2014		31 December 2013		01 January 2013	
	Total capital ratio %	Tier I capital ratio %	Total capital ratio %	Tier I capital ratio %	Total capital ratio %	Tier I capital ratio %
Capital adequacy ratios	31.05%	29.80%	27.33%	26.08%	29.55%	28.30%

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24. RISK MANAGEMENT

Risk is inherent in the Company's activities and 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 continuing profitability. The Company's activities are exposed to a variety of financial risks which mainly include market risk, credit risk and liquidity risk.

24.1 Risk management structure

Board of Directors

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

Audit committee

The audit committee is appointed by the Board of Directors. The audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting and risk management, the audit thereof and the soundness of the internal controls of the Company.

Internal audit

All key operational, financial and risk management processes are audited by the Internal Audit. Internal audit examines the adequacy of the relevant policies and procedures, the Company's compliance with the internal policies and regulatory guidelines. Internal audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

The risks faced by the Company and the way these risks are mitigated by management are summarized below.

24.2 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

24.2.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried in Saudi Riyal. The Company incurs currency risk on borrowing in foreign currency that is entered in a currency other than Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations as the majority of the monetary assets and liabilities are in Saudi Riyals or currencies which are pegged to the Saudi Riyal and consequently the Company does not hedge its foreign currency exposure. The Company's exposure to foreign currency transactions are as follows:

	2014	2013	As at 01 January 2013
	SR	SR	SR
Foreign currency loan from IFC	<u>40,909,091</u>	<u>54,545,455</u>	<u>78,806,758</u>

Sensitivity analysis

The Company has major currency risk in US Dollar, at reporting date, if the Saudi Riyal had strengthened / weakened by 0.5% against the US Dollar with all other variables held constant, profit for the year would have been higher / lower by the amount of SR 0.20 million (2013: SR 0.27 million) mainly as a result of net foreign exchange gain / loss on translation of foreign currency loan.

24.2.2 Special commission rate risk

Special commission rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market special commission rates. The Company's exposure to the risk of changes in

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market special commission rates relates primarily to the Company's long term debt obligations with floating special commission rates. Financial liabilities includes balances of SR 401 million (2013: SR 335 million, 01 January 2013: SR 502 million) which are subject to special commission rate risks. Applicable special commission rates for the same have been disclosed in their respective notes.

Sensitivity analysis for variable rate financial instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. But the Company does designate derivatives (special commission rate swap) as a hedging instrument under a fair value hedge accounting model. The Company does not have any variable rate financial assets. Therefore a change in special commission rate of fixed rate financial assets at the reporting date would not affect profit for the year.

Had there been no hedge arrangements, a change of 100 basis points in special commission rate of variable rate financial liabilities would have increased or decreased profit by SR 5.14 million (2013: SR 2.90 million, 01 January 2013: SR 3.10 million).

The sensitivity analysis prepared is not necessarily indicative of the effects on profit or loss for the year and financial assets / liabilities of the Company.

24.2.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risk.

24.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has established procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral such as security deposits and personal guarantees. Individual lease contracts generally are for terms not exceeding forty-eight months.

Concentrations of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The Company manages its credit risk exposure through diversification of leasing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

The credit risks on gross amounts due in relation to the investment in finance leases is mitigated by the retention of title on leased assets and security deposits.

The Company follows a credit classification mechanism, primarily driven by days delinquency as a tool to manage the quality of credit risk of the lease portfolio. The Company presently maintains four grades which differentiate between performing and non-performing portfolios and allocates provisions accordingly.

Out of the total assets of SR 2,212 million (2013: SR 1,842 million, 01 January 2013: SR 1,629 million) the assets which were subject to credit risk amounted to SR 2,209 million (2013: SR 1,839 million, 01 January 2013: SR 1,626 million). Significant concentrations of the Company's risk assessed by industry segment and geographical region are set out in notes 24.3.1 and 24.3.2.

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	2014	2013	As at 01 January 2013
	SR	SR	SR
Net investment in finance leases	2,131,251,109	1,732,994,386	1,402,364,637
Advances, prepayments and other receivables	11,274,389	28,224,928	5,477,821
Cash and cash equivalents	66,671,899	77,713,531	218,650,229
	<u>2,209,197,397</u>	<u>1,838,932,845</u>	<u>1,626,492,687</u>

The ageing of receivables are as under:

	2014	2013	As at 01 January 2013
	SR	SR	SR
Net investment in finance leases:			
Neither past nor due	1,735,344,466	1,539,346,616	1,297,261,514
Past due 1-30 days	321,701,574	186,317,306	136,425,237
Past due 31-90 days	118,855,575	62,530,639	23,859,038
Past due 91-180 days	38,417,621	14,632,926	1,488,629
Past due 181-365 days	5,137,923	5,668,876	8,370,306
Over 01 year	22,036,283	18,046,353	13,300,012
	<u>2,241,493,442</u>	<u>1,826,542,716</u>	<u>1,480,704,736</u>
Less: Provision for lease losses	(110,242,333)	(93,548,330)	(78,340,099)
Net of provision	<u>2,131,251,109</u>	<u>1,732,994,386</u>	<u>1,402,364,637</u>
Coverage ratio	4.92%	5.12%	5.29%

The portfolio that is neither past due nor impaired has satisfactory history of repayment, where applicable.

The Company has adequate provision of SR 110.24 million (2013: SR 93.55 million, 01 January 2013: SR 78.34 million) against these past dues. In addition, finance lease receivables are secured against leased assets.

The credit quality of Company's bank balances are assessed with reference to external credit ratings which all are above investment grade rating.

24.3.1 Segment by class of business

An analysis by class of business of the Company's net investment in finance leases is given below:

	2014		2013		As at 01 January, 2013	
Segments	SR	%	SR	%	SR	%
Manufacturing	600,019,463	26.8	547,319,539	30.0	433,668,875	29.3
Services – Construction & contracting	494,681,264	22.1	456,039,014	25.0	382,411,301	25.8
Services - Miscellaneous	788,818,463	35.1	532,621,639	29.1	434,435,613	29.3
Trading	352,118,820	15.7	284,518,420	15.6	225,993,180	15.3
Others	5,855,432	0.3	6,044,104	0.3	4,195,767	0.3
	<u>2,241,493,442</u>	<u>100</u>	<u>1,826,542,716</u>	<u>100</u>	<u>1,480,704,736</u>	<u>100</u>

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24.3.2 Geographical segment analysis

The Company's operations are restricted to Kingdom of Saudi Arabia only.

24.3.3 Collateral held as security and other credit enhancements

The company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with the net investment in finance lease is mitigated because the net investment in finance lease is secured against leased assets. The carrying value of net investment in finance lease before taking provision for lease losses amounts to SR 2,241 million (31 December 2013: SR 1,827 million, 1 January 2013: SR 1,481 million) and the fair value of leased assets is estimated to be higher than the net investment in finance lease. Furthermore, the company has obtained bank guarantee from some of its customers amounting to SR 181.2 million as at 31 December 2014 (31 December 2013: SR 105.7 million, 1 January 2013: SR 87.1 million).

24.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The contractual maturities of liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Company's availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained. The table below summarises the maturity profile of the Company's liabilities based on contractual undiscounted cash flows.

	Within 3 months SR	3 to 12 months SR	1 to 5 years SR	No fixed maturity SR	Total SR
<i>31 December 2014</i>					
<i>Liabilities</i>					
Short term loans	135,445,520	-	-	-	135,445,520
Accounts payable	112,367,793	-	-	-	112,367,793
Accrued expenses and other liabilities	44,495,359	-	-	-	44,495,359
Long term loans	85,068,164	319,756,539	566,357,175	-	971,181,878
Sukuk	2,233,425	246,755,768	-	-	248,989,193
Employees' end of service benefits	-	-	-	9,457,827	9,457,827
	<u>379,610,261</u>	<u>566,512,307</u>	<u>566,357,175</u>	<u>9,457,827</u>	<u>1,521,937,570</u>
<i>31 December 2013</i>					
<i>Liabilities</i>					
Short term loans	325,646,482	-	-	-	325,646,482
Accounts payable	98,171,131	-	-	-	98,171,131
Accrued expenses and other liabilities	37,475,706	-	-	-	37,475,706
Long term loans	48,747,903	118,350,283	456,026,944	-	623,125,130
Sukuk	2,233,425	6,793,442	248,989,193	-	258,016,060
Employees' end of service benefits	-	-	-	7,349,947	7,349,947
	<u>512,274,647</u>	<u>125,143,725</u>	<u>705,016,137</u>	<u>7,349,947</u>	<u>1,349,784,456</u>

Saudi ORIX Leasing Company (Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2014

01 January 2013

Liabilities

Short term loans	304,206,598	-	-	-	304,206,598
Accounts payable	85,192,968	-	-	-	85,192,968
Accrued expenses and other liabilities	44,308,918	-	-	-	44,308,918
Long term loans	42,550,812	100,902,784	371,703,443	-	515,157,039
Sukuk	2,190,527	6,659,791	257,665,164	-	266,515,482
Employees' end of service benefits	-	-	-	6,436,034	6,436,034
	<u>478,449,823</u>	<u>107,562,575</u>	<u>629,368,607</u>	<u>6,436,034</u>	<u>1,221,817,039</u>

The Company has unutilised bank facilities of SR 504.2 million (2013: SR 494.6 million, 01 January 2013: SR 674.2 million) as at statement of financial position date to meet liquidity requirements.

The tables below summarize the positive and negative fair values of derivative financial instruments, together with the notional amounts, analysed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Company's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

	Positive fair value	Negative fair value	Notional amount Total	Within 3 months	3-12 months	1-5 years	Monthly average
31 December 2014							
Cash flow hedge reserve	85,371	(1,139,716)	742,066,667	43,361,385	369,584,157	329,121,125	637,473,571
31 December 2013							
Cash flow hedge reserve	106,493	(561,297)	432,816,667	28,049,998	71,599,997	333,166,672	380,388,892
01 January 2013							
Cash flow hedge reserve	38,793	(173,306)	115,850,000	15,550,000	44,150,000	56,150,000	87,098,611

24.5 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to its shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014, 2013 and 2012.

25. RELATED PARTY TRANSACTIONS

25.1 In the ordinary course of its activities, the Company transacts business with related parties which are related to its shareholders. The Company is provided technical assistance from ORIX Corporation, Japan and ORIX Leasing Pakistan Limited at no cost under an arrangement. Amounts relating to its shareholders, associates and key management included in the financial statements which have been transacted are as follows:

Saudi ORIX Leasing Company (Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2014

	2014 SR	2013 SR	As at 01 January 2013 SR
<u>Transactions:</u>			
Saudi Investment Bank- shareholder			
Dividend paid-net	7,937,699	8,153,650	
Loan obtained	180,000,000	230,000,000	
Loan principal repayment	155,000,000	269,000,000	
Special commission expenses and other bank charges paid	1,894,395	2,377,435	
Rent and premises related payment	2,350,000	2,359,167	
Syndicate-lease related - payments	37,805,488	26,160,042	
Syndicate-lease related - receipts	59,837,998	36,623,671	
Trade Development & Investment Group, KSA- shareholder			
Dividend paid-net	7,349,768	7,442,245	
ORIX Corporation, Japan- shareholder			
Dividend paid-net	575,287	1,380,657	
ORIX Leasing Pakistan Limited- shareholder			
Dividend paid-net	52,298	125,514	
Support services for internal audit	42,690	43,584	
Mr. Musaed Mohammed Al Mineefi- shareholder			
	1,148	1,163	
The Mediterranean and Gulf Cooperative Insurance & Reinsurance Company, KSA- associate			
Premium for insurance and other related payments-net	26,116,843	22,438,351	
Amlak International, KSA- associate/ common directorship			
Rent and premises related income on subletting to an affiliate	1,591,837	1,379,592	
Key Management Compensation			
Salaries and other short-term employee benefits	6,852,555	6,896,768	
Termination benefits	698,674	354,777	
Directors' meeting attendance fee	1,800,000	1,350,000	
<u>Balances:</u>			
Saudi Investment Bank- shareholder			
Current accounts	41,151,781	53,497,939	190,748,138
Short term loan	50,000,000	25,000,000	64,000,000
Accrued special commission	105,556	2,995	26,816
Syndicated lease receivable	4,666,256	-	211,970
ORIX Corp., Japan- shareholder			
Other receivables	195,411	8,361	33,840

Saudi ORIX Leasing Company (Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2014

**The Mediterranean and Gulf Cooperative
Insurance & Reinsurance Company, KSA-
associate**

Accrued insurance expenses	579,250	545,625	523,754
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**Amlak International, KSA- associate/ common
directorship**

Rent and premise related advance on subletting	397,961	344,898	344,898
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Key Management Personnel

Loans to key management of the company	188,857	62,350	118,494
Directors' meeting attendance fee payable	1,800,000	1,350,000	1,350,000

25.2 The receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties (2013: nil, 01 January 2013: nil).

26. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Board of Directors, through circular resolution, on February 05, 2015 proposed a dividend of SR 0.5 per share (2013: SR 0.75 per share) for the year ended December 31, 2014, amounting to SR 27.5 million (2013: SR 25.5 million) for approval of members at the Extraordinary General Meeting. These financial do not reflect the impact of this proposed dividend.

27. BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on 16 Rabi Al Akhir 1436H (corresponding to February 05, 2015).