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

FINANCIAL STATEMENTS

31 DECEMBER 2014

Building a better
working world

Ernst & Young & Co. (Public Accountants)
13th Floor – King's Road Tower
PO Box 1994
King Abdulaziz Road (Malek Road)
Jeddah 21441
Saudi Arabia
Registration Number: 45

Tel: +966 12 221 8400
Fax: +966 12 221 8575

www.ey.com

AUDITOR'S 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 2014 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 2014 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
License No. 356

ERNST & YOUNG

9 Rabi Al-Thani 1436 H
29 January 2015

Jeddah

14/152/FL

BALANCE SHEET
As at 31 December 2014

	Note	2014 SR	2013 SR
ASSETS			
Cash and bank balances	4	**71,453,287**	82,202,009
Prepayments and other receivables	5	**355,408,395**	145,650,141
Net investment in finance leases	6	**1,138,297,940**	1,108,323,264
Margin deposits	7	**279,086,520**	213,131,309
Net servicing asset for sold finance lease receivables	8	**90,022,906**	109,332,252
Property and equipment	9	**5,182,939**	8,944,248
Intangible assets	10	**4,308,136**	707,949
TOTAL ASSETS		**1,943,760,123**	1,668,291,172
LIABILITIES AND SHAREHOLDERS' EQUITY			
Trade and other payables	11	**99,949,613**	102,249,119
Due to related parties	12	**18,402,502**	10,386,167
Short term loans	13	**887,500,000**	700,000,000
Zakat and income tax	14	**56,591,973**	43,771,519
Employees' terminal benefits	15	**11,473,900**	6,661,478
TOTAL LIABILITIES		**1,073,917,988**	863,068,283
SHAREHOLDERS' EQUITY			
Share capital	16	**500,000,000**	500,000,000
Statutory reserve		**75,659,341**	61,138,081
Retained earnings		**294,182,794**	244,084,808
TOTAL SHAREHOLDERS' EQUITY		**869,842,135**	805,222,889
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,943,760,123**	1,668,291,172

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF INCOME

For the year ended 31 December 2014

	Note	*2014* *SR*	*2013* *SR*
Revenues	18	**269,256,801**	260,491,365
OPERATING EXPENSES			
General and administrative expenses	19	**(74,437,197)**	(58,901,826)
Depreciation	9	**(1,425,972)**	(1,187,988)
Amortization	10	**(931,195)**	(292,944)
Provision for lease losses	6	**(30,769,650)**	(30,715,632)
Financial charges		**(16,480,185)**	(14,637,144)
		(124,044,199)	(105,735,534)
NET INCOME FOR THE YEAR		**145,212,602**	154,755,831
Weighted average number of shares outstanding	16	**50,000,000**	50,000,000
Earnings per share			
Earnings per share from main operations and net income for the year - SR	25	**2.90**	3.10

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	*2014* *SR*	*2013* *SR*
OPERATING ACTIVITIES			
Net income for the year		**145,212,602**	154,755,831
Adjustments for:			
Depreciation	9	**1,425,972**	1,187,988
Amortization	10	**931,195**	292,944
Provision for lease losses	6	**30,769,650**	30,715,632
Employees' terminal benefits	15	**5,187,322**	1,716,456
Gain on disposal of property and equipment		**(3,639)**	-
Change in provision in respect of fair value of margin deposits	7	**2,626,821**	1,420,240
Income from net servicing asset for sold finance lease receivables		**(158,152,791)**	(112,098,434)
		27,997,132	77,990,657
Changes in operating assets and liabilities:			
Net investment in finance leases		**(60,744,326)**	84,998,605
Prepayments and other receivables		**(209,758,254)**	(111,195,698)
Margin deposits		**(68,582,032)**	(31,329,322)
Net servicing asset for sold finance lease receivables		**177,462,137**	106,593,812
Trade and other payables		**(2,299,506)**	(93,376,476)
Due to related parties		**8,016,335**	(16,429,266)
Cash (used in)/from operations		**(127,908,514)**	17,252,312
Zakat and income tax paid	14	**(19,671,923)**	(12,616,475)
Employee's terminal benefits paid	15	**(374,900)**	(233,188)
Net cash (used in)/from operating activities		**(147,955,337)**	4,402,649
INVESTING ACTIVITIES			
Purchase of property and equipment	9	**(2,227,350)**	(4,532,230)
Proceeds from disposal of property and equipment		**34,944**	365,709
Net cash used in investing activities		**(2,192,406)**	(4,166,521)
FINANCING ACTIVITIES			
Proceeds from short term loans		**187,500,000**	70,000,000
Dividends paid	17	**(48,100,979)**	(42,085,644)
Net cash from financing activities		**139,399,021**	27,914,356
NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES		**(10,748,722)**	28,150,484
Cash and bank balances at the beginning of the year	4	**82,202,009**	54,051,525
CASH AND BANK BALANCE AT THE END OF THE YEAR		**71,453,287**	82,202,009

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Note	2014 Saudi shareholders SR	Foreign shareholders SR	Total SR
SHARE CAPITAL				
Balance as at 1 January 2014 and 31 December 2014	16	**375,000,000**	**125,000,000**	**500,000,000**
STATUTORY RESERVE				
Balance as at 1 January 2014		**45,853,561**	**15,284,520**	**61,138,081**
Transferred from retained earnings		**10,890,945**	**3,630,315**	**14,521,260**
Balance as at 31 December 2014		**56,744,506**	**18,914,835**	**75,659,341**
RETAINED EARNINGS				
Balance as at 1 January 2014		**188,653,285**	**55,431,523**	**244,084,808**
Income for the year		**108,909,452**	**36,303,150**	**145,212,602**
Net interim dividend	17	**(38,257,837)**	**(9,843,142)**	**(48,100,979)**
Transferred to zakat and tax provision relating to prior year	14	**(9,943,726)**	**379,933**	**(9,563,793)**
Zakat and tax for current year	14	**(13,794,078)**	**(9,134,506)**	**(22,928,584)**
Transferred to statutory reserve		**(10,890,945)**	**(3,630,315)**	**(14,521,260)**
Balance as at 31 December 2014		**224,676,151**	**69,506,643**	**294,182,794**
TOTAL SHAREHOLDERS' EQUITY		**656,420,657**	**213,421,478**	**869,842,135**

	Note	2013 Saudi shareholders SR	Foreign shareholders SR	Total SR
SHARE CAPITAL				
Balance as at 1 January 2013 and 31 December 2013	16	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
Income for the year		116,066,873	38,688,958	154,755,831
Net interim dividend	17	(33,287,062)	(8,798,582)	(42,085,644)
Transferred to zakat and tax provision relating to prior year	14	(12,809,453)	295,145	(12,514,308)
Zakat and tax for the current year	14	(9,548,437)	(9,786,791)	(19,335,228)
Transferred to statutory reserve		(11,606,687)	(3,868,896)	(15,475,583)
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

The attached notes 1 to 28 form part of these financial statements.

1 ACTIVITIES

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

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

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

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

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

Commercial Registration Number	Date of Issue	Location
44861	24/12/1424H	Dammam
31244	04/06/1426H	Al-Khobar
27895	28/02/1428H	Abha
23097	07/10/1435H	Jubail
424571	21/11/1435H	Riyadh
424079	21/11/1435H	Riyadh

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization of Certified Public Accountants ("SOCPA").

2.2 BASIS OF MEASUREMENT

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

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's 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.

2 BASIS OF PREPARATION (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

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

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

Useful lives of property and equipment
The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Intangible assets
Intangible assets that have a finite useful life are amortized over their estimated useful life. Determining the estimated useful life of these finite life intangible assets requires an analysis of circumstances, and judgment by the Company's management. At the balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review.

Impairment of net investment in finance lease receivables
An estimate of the collectible amount of finance lease receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the statement of income of those periods.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

3 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 following rates of depreciation are applied:

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

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

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

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

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

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and bank balances
Cash and bank balances in the balance sheet comprise cash at banks in current accounts and cash on hand.

Financial instruments

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

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

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

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

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

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Derecognition of financial assets (continued)
Following initial recognition, net servicing assets, being intangibles assets, are carried at cost less any accumulated amortization and any accumulated impairment losses.
Net servicing assets are amortized 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 amortization 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 amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective commission rate.

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 share capital. The reserve is not available for distribution.

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

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

Trade and other payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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

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.

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 measure reliably.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are presented on a net basis only when permitted under accounting standards generally accepted in the Kingdom of Saudi Arabia, or for gains and losses arising from a group of similar transactions.

Operating segment
An operating segment is a component of an entity:

a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
b. whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
c. for which discrete financial information is available.

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.

Lease arrangement where the company is lessee
Capital leases are those where the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. As lessee, the Company classifies its leases as operating leases and the rentals payable are charged to the statement of income on a straight line basis.

4 CASH AND BANK BALANCES

	2014	*2013*
	SR	*SR*
Cash on hand	**158,510**	152,510
Bank balances	**71,294,777**	82,049,499
	71,453,287	82,202,009

5 PREPAYMENTS AND OTHER RECEIVABLES

	2014 *SR*	*2013* *SR*
Advance payments, net (see note below)	**335,858,152**	133,578,650
Prepaid expenses	**9,196,591**	2,883,812
Advances to employees	**8,478,171**	7,048,637
Other receivables (see note 21)	**1,875,481**	2,139,042
	355,408,395	145,650,141

Advance payments are shown net of advance payments made to banks, amounting to SR 390.62 million (2013: SR 224.27 million), and amount payable to banks, amounting to SR 54.76 million (2013: SR 90.67 million) under various musharika, purchase and securitization arrangements (see note 6).

6 NET INVESTMENT IN FINANCE LEASES

	2014 *SR*	*2013* *SR*
Gross investment in finance leases (see notes 6.3 and 6.4 below)	**1,542,973,730**	1,495,726,856
Less: unearned finance income	**(249,474,346)**	(261,596,902)
Net investment in finance leases (before provision for lease losses)	**1,293,499,384**	1,234,129,954
Less: provision for lease losses	**(155,201,444)**	(125,806,690)
Net investment in finance leases	**1,138,297,940**	1,108,323,264

6 NET INVESTMENT IN FINANCE LEASES (continued)

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

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

				2013		
	Years	*Gross investment*	*Unearned finance income*	*Net investment (before provision for lease losses)*	*Provision for lease losses*	*Net investment*
Current portion	2014	565,561,674	(131,894,896)	433,666,778	(20,325,624)	413,341,154
Non-current portion	2015	453,589,924	(78,821,104)	374,768,820	(51,437,260)	323,331,560
	2016	338,544,487	(37,348,988)	301,195,499	(38,391,066)	262,804,433
	2017	109,038,727	(10,206,875)	98,831,852	(12,365,031)	86,466,821
	2018	25,358,305	(3,188,019)	22,170,286	(2,875,641)	19,294,645
	2019	3,633,739	(137,020)	3,496,719	(412,068)	3,084,651
Total non-current portion		930,165,182	(129,702,006)	800,463,176	(105,481,066)	694,982,110
31 December 2013		1,495,726,856	(261,596,902)	1,234,129,954	(125,806,690)	1,108,323,264

6 NET INVESTMENT IN FINANCE LEASES (continued)

The movement in provision for lease losses is given below:

	2014 *SR*	*2013* *SR*
At the beginning of the year	**125,806,690**	95,091,058
Provided during the year	**30,769,650**	30,715,632
Written off during the year	**(1,374,896)**	-
At the end of the year	**155,201,444**	125,806,690

6.1 As at 31 December 2014, 20.16% of the gross investment in finance leases are with 5 customers (2013: 23.70%).

6.2 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 and bank guarantees 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 the bank guarantees and margin deposits maintained with the banks.

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

6.3 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 syndicated 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 2014 amounted to SR 800.13 million (2013: SR 977.65 million). The Company recorded these transactions as net investment in finance leases upto the extent of its share in the Musharika arrangements. As at 31 December 2014, the net investments in Musharika, amounted to SR 107.7 million (2013: SR 124.3 million), which represents the Company's maximum exposure in respect of these agreements.

The amount recognized as investment in Musharika is stated at cost, which represents the balance of the Company's share in the Musharika funding. The Company's share in the Musharika income for the year amounted to SR 23.41 million (2013: SR 13.38 million). The income from such Musharika is recognized on an accrual basis and is included in the earned lease income (see note 18).

6.4 Gross investment in finance leases include an amount of SR 28.99 million (2013: SR 79.13 million) due from related parties (see note 12).

6.5 At the balance sheet date, gross finance lease receivables were SR 1,543 million (2013: SR 1,496 million), net investment in finance lease receivables were SR 1,138 million (2013: SR 1,108 million) and the allowance for doubtful debts was SR 155.20 million (2013: SR 125.81 million).

7 MARGIN DEPOSITS

	2014 *SR*	*2013* *SR*
Margin deposits with banks	**318,076,517**	249,494,485
Less: Provision against expected defaults in respect of sold finance lease receivables (see note 6)	**(21,827,176)**	(21,827,176)
Provision in respect of fair value of margin deposits	**(17,162,821)**	(14,536,000)
	279,086,520	213,131,309
Current portion	**85,381,397**	11,854,755
Non-current portion	**193,705,123**	201,276,554
	279,086,520	213,131,309

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 6).

8 NET SERVICING ASSET FOR SOLD FINANCE LEASE RECEIVABLES

	2014 *SR*	*2013* *SR*
Current (see note 6.2)	**73,666,424**	63,889,878
Non-current (see note 6.2)	**16,356,482**	45,442,374
	90,022,906	109,332,252

9 PROPERTY AND EQUIPMENT

	Office equipment SR	*Furniture and fixtures SR*	*Leased vehicles SR*	*Motor vehicles SR*	*Capital work in progress SR*	***Total 2014 SR***	*Total 2013 SR*
Cost:							
At the beginning of the year	3,087,779	4,778,151	1,002,710	587,568	4,357,546	**13,813,754**	10,552,283
Additions	960,317	1,028,330	-	64,867	173,836	**2,227,350**	4,532,230
Disposals	(55,174)	(179,491)	-	-	-	**(234,665)**	(1,270,759)
Transfers (see note 10)	-	-	-	-	(4,531,382)	**(4,531,382)**	-
At the end of the year	3,992,922	5,626,990	1,002,710	652,435	-	**11,275,057**	13,813,754
Depreciation:							
At the beginning of the year	1,768,468	1,860,345	1,002,710	237,983	-	**4,869,506**	4,586,568
Charge for the year	589,055	701,198	-	135,719	-	**1,425,972**	1,187,988
Relating to disposals	(47,218)	(156,142)	-	-	-	**(203,360)**	(905,050)
At the end of the year	2,310,305	2,405,401	1,002,710	373,702	-	**6,092,118**	4,869,506
Net book amounts:							
At 31 December 2014	**1,682,617**	**3,221,589**	**-**	**278,733**	**-**	**5,182,939**	
At 31 December 2013	1,319,311	2,917,806	-	349,585	4,357,546		8,944,248

Capital work in progress mainly represented the cost incurred in relation to the acquisition and customization of a new software (Oracle).

10 INTANGIBLE ASSETS

	2014 *SR*	*2013* *SR*
Cost:		
At the beginning of the year	**1,786,961**	1,786,961
Transferred from capital work in progress (see note 9)	**4,531,382**	-
At the end of the year	**6,318,343**	1,786,961
Amortisation:		
At the beginning of the year	**(1,079,012)**	(786,068)
Amortised during the year (see note below)	**(931,195)**	(292,944)
At the end of the year	**(2,010,207)**	(1,079,012)
Net carrying value		
At 31 December	**4,308,136**	707,949

Intangible asset represents costs incurred in respect of acquisition and customization of software. Intangible assets are being amortized over estimated useful life of 5 years. For details of "net servicing asset for sold finance lease receivables" refer note 8.

11 TRADE AND OTHER PAYABLES

	2014 *SR*	*2013* *SR*
Trade payables	**26,758,623**	30,986,456
Accrued expenses	**11,361,563**	9,434,348
Advances from customers	**29,631,972**	17,198,039
Insurance payable	**31,857,791**	41,717,933
Other payables (see note 21)	**339,664**	2,912,343
	99,949,613	102,249,119

12 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represents major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties.

A summary of material balances with related parties included in the balance sheet are as follows:

Related party	***Particulars***	*2014* *SR*	*2013* *SR*
Shareholder	Cash at bank	**23,664,430**	51,981,898
Shareholder	Gross investment in finance leases	**10,902,492**	17,073,060
Affiliates	Gross investment in finance leases	**18,093,959**	62,054,021
Shareholder	Margin deposits	**110,746,126**	129,565,456
Shareholder	Short term loans	**200,000,000**	500,000,000

12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Related party	*Nature of transaction*	*2014 SR*	*2013 SR*
Shareholder	Purchases for leasing business	**5,836,500**	1,961,000
Shareholder	Leasing transactions	**10,902,492**	29,862,021
Shareholder	Financial charges paid	**8,146,368**	10,394,512
Shareholder	Short-term loan borrowing	**1,060,000,000**	1,605,000,000
Shareholder	Short-term loan repayment	**1,360,000,000**	1,635,000,000
Shareholder	Receivable purchase agreements	**352,438,254**	998,885,446
Shareholder	Letters of guarantees	**141,388,787**	197,981,880
Affiliate	Purchases for leasing business	**1,750,623,692**	2,578,107,763
Affiliate	Leasing transactions	**43,679,829**	56,009,904
Affiliate	Payment for rental and support services	**10,409,140**	7,580,721

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

Due to related parties

	2014 SR	*2013 SR*
Shareholders:		
Al Yemni Motors Company Limited	**888,000**	-
Al Wasilah Rent a Car	-	3,574
	888,000	3,574
Affiliates:		
Juffali Industrial Products Company	**10,712,950**	7,759,000
Haji Husein Alireza and Company Limited	**2,670,000**	-
Saudi Company of Site Technology Limited	**2,159,488**	1,688,528
Juffali Printing Systems Company	**1,382,210**	308,947
Zahid Tractor and Heavy Machinery Company Limited	**320,705**	173,639
Property and Asset Management Company	**122,856**	-
The Machinery Group LLC	**77,900**	337,000
Zahid Travel Group	**38,394**	99,954
Arabian Company for Marketing Services LLC	**29,999**	15,525
	17,514,502	10,382,593
	18,402,502	10,386,167

12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation of key management personnel of the Company

Remuneration and compensation of the key management executives for the year ended 31 December 2014 was SR 4.07 million (2013: SR 4.16 million).

13 SHORT TERM LOANS

	2014 *SR*	*2013* *SR*
Short term loans	**887,500,000**	700,000,000

These represent short term loans drawn from various local banks against credit lines of SR 1,417.5 million (2013: SR 1,174 million). These facilities carry fixed special commission rate and are repayable within 9 months from the balance sheet date. These facilities are collateralized against promissory notes.

14 ZAKAT AND INCOME TAX

a) Zakat

Charge for the year

The zakat charge consists of:

	2014 *SR*	*2013* *SR*
Provision for the year	**13,794,078**	9,548,437
Adjustment for previous years	**9,943,726**	12,809,453
Charge for the year	**23,737,804**	22,357,890

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

	2014 *SR*	*2013* *SR*
Equity	**708,266,595**	662,599,721
Opening provisions and other adjustments	**822,838,942**	654,326,218
Book value of long term assets	**(979,342,437)**	(934,988,459)
	551,763,100	381,937,480
Income subject to Zakat	**137,017,586**	146,801,859
Zakat base	**551,763,100**	381,937,480

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.

14 ZAKAT AND INCOME TAX (continued)

Movement in provision during the year

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

	2014 *SR*	*2013* *SR*
At the beginning of the year	**39,731,527**	21,770,688
Provided during the year	**13,794,078**	9,548,437
Prior year adjustments	**9,943,726**	12,809,453
Payments during the year	**(9,482,221)**	(4,397,051)
At the end of the year	**53,987,110**	39,731,527

b) Income tax

Charge for the year

	2014 *SR*	*2013* *SR*
Provision for the year	**9,134,506**	9,786,791
Adjustment for prior years	**(379,933)**	(295,145)
Charge for the year	**8,754,573**	9,491,646

Income tax charge relating to the non-Saudi shareholders, amounting to SR 9.1 million (2013: SR 9.8 million), consists of the current year provision, which has been provided for based on the estimated taxable profit at 20% (2013: 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:

	2014 *SR*	*2013* *SR*
At the beginning of the year	**4,039,992**	2,767,770
Provided during the year	**9,134,506**	9,786,791
Prior year adjustments	**(379,933)**	(295,145)
Paid during the year for prior year	**(3,134,557)**	(1,528,143)
Advance income tax paid	**(7,055,145)**	(6,691,281)
At the end of the year	**2,604,863**	4,039,992

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 rejected the Company's objection for the year ended 31 December 2009 and the Company raised an appeal to the Preliminary Appeal Committee (PAC). During the year the PAC rejected the Company's appeal and the Company has raised the appeal to the Higher Appeal Committee (HAC) and the decision from HAC is awaited.

14 ZAKAT AND INCOME TAX (continued)

Status of assessments (continued)

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

The main difference between the DZIT's assessment and the Company's zakat return for the years ended 31 December 2009 and 31 December 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 returns for the years ended 31 December 2011, 2012 and 2013 have been filed and currently under review by the DZIT.

15 EMPLOYEES' TERMINAL BENEFITS

The movements in the employees' terminal benefits are as follows:

	2014 *SR*	*2013* *SR*
At the beginning of the year	**6,661,478**	5,178,210
Charge for the year	**5,187,322**	1,716,456
Benefits paid during the year	**(374,900)**	(233,188)
At the end of the year	**11,473,900**	6,661,478

16 SHARE CAPITAL

The share capital of the Company is divided into 50,000,000 shares (2013: 50,000,000 shares) of SR 10 each.

The shareholding structure of the Company is as follows:

Shareholders

	Ownership Percentage	***2014*** ***SR***	***2013*** ***SR***
Saudi:			
Riyad Bank	35%	**175,000,000**	175,000,000
Zahid Group Holding Company Limited	25%	**125,000,000**	125,000,000
Al – Wasilah Rent A Car Company Limited	5%	**25,000,000**	25,000,000
Khaled Ahmed Al – Juffali Company	5%	**25,000,000**	25,000,000
Al – Yemni Motors Company Limited	5%	**25,000,000**	25,000,000
Non-Saudi:			
MC Netherlands Leasing and Finance B.V	20%	**100,000,000**	100,000,000
Mitsubishi UFJ Lease & Finance Company Limited	5%	**25,000,000**	25,000,000
		500,000,000	500,000,000

17 DIVIDENDS

The Board of Directors through Board resolution, dated 13 April 2014 (2013: 15 April 2013), proposed interim gross dividends of SR 1.54 per share (2013: SR 1.35 per share), totaling SR 77.0 million (2013: SR 67.5 million), representing 15.4% (2013: 13.5%) of share capital of the Company.

The interim cash dividends was approved by the shareholders in the general assembly meeting held on 29 June 2014 (2013: 8 June 2013).

18 REVENUES

	2014 *SR*	*2013* *SR*
Earned lease income (see note 6)	**113,730,831**	149,813,171
Net income from sale of finance lease receivables	**155,525,970**	110,678,194
	269,256,801	260,491,365

19 GENERAL AND ADMINISTRATIVE EXPENSES

	2014 *SR*	*2013* *SR*
Salaries and other employees benefits	**58,339,076**	45,102,422
Rent	**3,652,521**	3,192,794
Consultancy charges	**1,905,647**	1,364,974
Communications	**1,925,356**	1,942,787
Others	**8,614,597**	7,298,849
	74,437,197	58,901,826

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

20.1 Market risk

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

Commission rate risk

Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market commission rates. As at 31 December 2014 and 31 December 2013, the Company is not exposed to significant commission rate risk as its special commission bearing assets and liabilities carry fixed rates.

Currency risk

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

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.1 Market risk (continued)

Equity price risk

The Company is not exposed to other price risk such as equity risk and commodity risk as the Company is not involved in trading securities or commodities.

20.2 Credit risk

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

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

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

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

20.3 Liquidity risk

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

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2014 and 31 December 2013, based on contractual payment dates:

31 December 2014	***Less than 3 months SR***	***3 to 12 months SR***	***1 to 5 Years SR***	***No fixed maturity SR***	***Total SR***
Trade and other payables	**68,091,822**	**10,619,264**	**21,238,527**	-	**99,949,613**
Due to related parties	**18,402,502**	-	-	-	**18,402,502**
Short term loans	**425,000,000**	**462,500,000**	-	-	**887,500,000**
Employees' terminal benefits	-	-	-	**11,473,900**	**11,473,900**
Total	**511,494,324**	**473,119,264**	**21,238,527**	**11,473,900**	**1,017,326,015**

31 December 2013	*Less than 3 months SR*	*3 to 12 months SR*	*1 to 5 Years SR*	*No fixed maturity SR*	*Total SR*
Trade and other payables	59,131,186	11,260,142	31,857,791	-	102,249,119
Due to related parties	10,386,167	-	-	-	10,386,167
Short term loans	260,000,000	440,000,000	-	-	700,000,000
Employees' terminal benefits	-	-	-	6,661,478	6,661,478
Total	329,517,353	451,260,142	31,857,791	6,661,478	819,296,764

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.4 Capital management

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

The Company manages its capital structure and makes adjustments to it in light of the changes in business conditions. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

21 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 6). The Company is continuing to manage these sold receivables for an agreed fee which is disclosed as revenue (note 18). These receivables are secured by promissory notes from the customers.

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

	2014 ***SR***	*2013* *SR*
Balance of outstanding finance lease receivables relating to securitization and Sukuk agreements (see note below)	**2,586,511,178**	2,749,411,430

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

31 December 2014	***Upto 1 year*** ***SR***	***More than 1 year*** ***SR***
Securitization and sukuk agreements	**1,516,984,776**	**1,069,526,402**

31 December 2013	*Upto 1 year* *SR*	*More than 1 year* *SR*
Securitization and sukuk agreements	1,640,499,280	1,108,912,150

	2014 ***SR***	*2013* *SR*
Overdue accounts settled to the banks	**240,434,887**	157,220,956
Gain/ (loss) recognized during the year against off-balance sheet finance lease receivables (at the date of transfer/ sale of finance lease receivables)	**89,151,680**	92,127,034
Income recognized during the year against off-balance sheet finance lease receivables	**250,259,504**	194,451,701
Expenses recognized during the year against off-balance sheet finance lease receivables	**94,733,534**	83,773,506

21 FINANCE LEASE RECEIVABLES PURCHASE AGREEMENTS (continued)

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 2014 amounted to SR 31.73 million (2013: SR 192.67 million) relating to Sukuk) in its capacity as an agent of Sukukholders. AJIL controls the SPE and being non material to the financial statements of AJIL taken as a whole, the financial statements of the SPE have not been consolidated in these financial statements.

The Sukuk is issued for a term of 3 years and the Company is acting as a Servicing Agent under a pass-through arrangement for fixed rate receivables collected from customers and passed on to GIB Capital and Riyad Capital, the joint lead managers and bookrunners ("JLM").

On behalf of the Sukukholders, the Company held an Profit Rate Swap ("PRS"), with the JLM as counterparty, of a notional value of SR 31 million (2013: SR 182 million) (fair value of which, as of 31 December 2014, was SR 0.051 million (2013: SR 0.225 million) and is included within other receivables and other payables, as appropriate). Any gains or losses, arising from the changes in the fair value of derivatives, are passed through the statement of income. However, as all the benefits are passed on to the Sukuk holders, there is no impact on the Company's statement income.

22 PREMISES RENT UNDER OPERATING LEASE ARRANGEMENTS

	2014	*2013*
	SR	*SR*
Payments under operating leases recognized as an expense during the year (see note 19)	**3,652,521**	3,192,794

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

23 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, margin deposits, net servicing assets for sold finance lease receivables and other receivables, its financial liabilities consist of trade payables, short term loans, due to related parties and other liabilities.

The fair values of financial instruments are not materially different from their carrying values.

24 CONTINGENCIES AND COMMITMENTS

The Company has the following contingent liabilities and commitments:

	2014	*2013*
	SR	*SR*
Letters of guarantee	**141,388,787**	197,981,880

	2014	*2013*
	SR	*SR*
Letters of credit	-	11,228,745

25 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net income for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share is not applicable as the Company has issued no financial instruments which may have a dilutive effect.

26 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.

27 COMPARATIVE FIGURES

Certain of prior year amounts have been reclassified to conform with the presentation in the current year. However, there is no impact of the reclassification on the statement of income or statement of changes in equity.

28 BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on 9 Rabi Al-Thani 1436H (corresponding to 29 January 2015).