SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
Unaudited Interim Condensed Financial Statements
For the six and three months ended 30 June 2016
together with
Independent Auditors' Report on Limited Review

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
Unaudited Interim Condensed Financial Statements
For the six and three months ended 30 June 2016

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REVIEW REPORT

To: **The Shareholders**
Saudi Home Loans Company
(Closed Joint Stock Company)
Riyadh, Saudi Arabia

Scope of Review

We have reviewed the accompanying interim condensed statement of financial position of **Saudi Home Loans Company** - Closed Joint Stock Company (the "Company") as at 30 June 2016 and the related interim condensed statement of profit or loss, interim condensed statement of comprehensive income, interim condensed statement of cash flows and interim condensed statement of changes in equity for the three and six months period then ended and the related notes from 1 to 20, which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard - 34 "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required.

We conducted our review in accordance with the Standard on Review of Interim Financial Information issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A review consists principally of applying analytical procedures applied to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. 34.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
Licence No. 348

Riyadh on: 29 Shawwal 1437H
Corresponding to: 03 August 2016

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محاسبون ومراجعون قانونيون
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Certified Public Accountants
KPMG Al Fozan & Partners

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As of 30 June 2016
(Saudi Riyals)

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
ASSETS		
Cash and cash equivalents (Note 3b)	**112,998,143**	8,200,836
Prepaid expenses and other assets, net (Note 8)	**17,327,507**	19,166,623
Advances to property owners (Note 9)	**9,197,500**	4,492,000
Due from related parties (Note 7)	**1,234,141**	2,607,061
Other real estate assets (Note 3e)	**1,079,685**	224,685
Intangible assets, net (Note 3g)	**5,720,647**	6,070,215
Long term Investment (Notes 3c and 4)	**3,852,759,693**	3,689,595,475
Deferred origination fees (Notes 3h and 5)	**34,093,810**	34,147,831
Property and equipment, net (Note 3f and 6)	**5,614,897**	5,369,726
Total assets	**4,040,026,023**	3,769,874,452
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	**1,686,237**	2,690,546
Accrued expenses and other liabilities (Notes 3i and 14)	**6,723,653**	7,353,836
Advance lease rental	**26,059,589**	13,970,160
Provision for estimated Zakat and income tax (Notes 3L and 15)	**4,545,751**	7,847,553
Tawaruq financing facilities (Note 13)	**2,697,128,968**	2,485,239,517
End of service benefits (Note 3k)	**4,313,832**	3,815,850
Total liabilities	**2,740,458,030**	2,520,917,462
Shareholders' Equity:		
Share capital (Note 10)	**800,000,000**	800,000,000
Statutory reserve (Note 11)	**53,583,556**	48,075,877
General reserve (Note 12)	**46,089,050**	40,581,371
Retained earnings	**399,895,387**	360,299,742
Total shareholders' equity	**1,299,567,993**	1,248,956,990
Total liabilities and shareholders' equity	**4,040,026,023**	3,769,874,452

The accompanying notes from (1) to (20) are an integral part of these interim condensed financial statements

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Six Month Period Ended 30 June 2016
(Saudi Riyals)

	For three months ended June 30		For six months ended June 30	
	2016 (Unaudited)	2015 (Unaudited)	**2016 (Unaudited)**	2015 (Unaudited)
Lease finance income (Note 3n)	**63,341,261**	62,017,978	**126,091,473**	122,373,766
Service fees, net (Note 3n)	**3,299,240**	3,647,818	**6,682,900**	7,373,438
Financing charges	**(25,615,039)**	(18,847,599)	**(47,957,706)**	(38,652,330)
Net lease finance income	**41,025,462**	46,818,197	**84,816,667**	91,094,874
Application and evaluation fee income (Note 3n)	**1,260,350**	470,120	**2,232,695**	945,470
Total operating income	**42,285,812**	47,288,317	**87,049,362**	92,040,344
Selling and marketing expenses (Note 3o)	**(6,168,742)**	(5,090,802)	**(11,905,608)**	(10,105,694)
General and administrative expenses (Note 3o)	**(10,199,794)**	(11,354,022)	**(21,118,518)**	(21,795,318)
Net operating income	**25,917,276**	30,843,493	**54,025,236**	60,139,332
Other income	**751,551**	--	**1,051,551**	50,019
Net income for the period	**26,668,827**	30,843,493	**55,076,787**	60,189,351
Other Comprehensive Income:				
Items that will not be reclassified subsequently to profit or loss	**--**	--	**--**	--
Items that may be reclassified subsequently to profit or loss	**--**	--	**--**	--
Total comprehensive income for the period	**26,668,827**	30,843,493	**55,076,787**	60,189,351
Basic and diluted earnings per share (Note 16)	**0.33**	0.39	**0.69**	0.75

The accompanying notes from (1) to (20) are an integral part of these interim condensed financial statements

SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
For the Six Month Period Ended 30 June 2016
(Saudi Riyals)

	2016 (Unaudited)	2015 (Unaudited)
Cash Flows from Operating Activities		
Net profit for the period	**55,076,787**	60,189,351
Adjustments to reconcile net profit to net cash (used in) / generated from operating activities:		
Depreciation	**694,421**	546,550
Amortization	**726,462**	108,213
Gain on sale of property and equipment	**(14,999)**	--
Provision for end of service benefits	**578,802**	514,449
Provision for lease losses	**847,095**	1,997,577
Reversal of provision against insurance claims	**(20,048)**	--
Reversal of maintenance liability	**(731,503)**	--
Changes in assets and liabilities:		
Net change in finance lease investments	**(164,114,762)**	(61,174,730)
Net change in related party balances	**1,372,920**	33,939
Prepaid expenses and other assets	**1,839,116**	418,067
Advances to property owners	**(4,705,500)**	21,432,100
Accrued expenses and other liabilities	**(630,183)**	(16,397,392)
Zakat & income tax paid	**(7,767,586)**	(9,776,313)
Advance lease rental	**12,089,429**	3,439,315
Accounts payable	**(1,004,309)**	(1,101,127)
Net change in deferred origination fees	**54,021**	439,562
End of service benefits paid	**(80,820)**	(134,883)
Net cash (used in) / generated from operating activities	**(105,790,657)**	534,678
Cash Flows from Investing Activities		
Purchase of property and equipment; and intangible assets	**(1,316,487)**	(2,308,245)
Proceeds from sales of property and equipment	**15,000**	--
Net cash used in investing activities	**(1,301,487)**	(2,308,245)
Cash Flows from Financing Activities		
Net change in Tawaruq financing facilities	**211,889,451**	167,795,017
Net cash generated from financing activities	**211,889,451**	167,795,017
Net increase in cash and cash equivalents	**104,797,307**	166,021,450
Cash and cash equivalents at the beginning of the period / year	**8,200,836**	2,827,136
Cash and cash equivalents at the end of the period / year	**112,998,143**	168,848,586
Non-Cash Transactions		
Capital work in progress transferred to intangible assets and property and equipment	**1,319,291**	**111,658**

The accompanying notes from (1) to (20) are an integral part of these interim condensed financial statements

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For The Six Month Period Ended 30 June 2016
(Saudi Riyals)

	For the six month period ended June 30, 2015 (Unaudited)				
	Capital	Statutory reserve	General reserve	Retained earnings	Total Shareholders' Equity
Beginning of the period	800,000,000	36,016,581	28,522,075	271,850,007	1,136,388,663
Net income for the period	--	--	--	60,189,351	60,189,351
Transfers to reverses	--	6,018,935	6,018,935	(12,037,870)	--
Zakat and income tax	--	--	--	(199,767)	(199,767)
	800,000,000	42,035,516	34,541,010	319,801,721	1,196,378,247

	For the six month period ended June 30, 2016 (Unaudited)				
	Capital	**Statutory reserve**	**General reserve**	**Retained earnings**	**Total Shareholders' Equity**
Beginning of the period	**800,000,000**	**48,075,877**	**40,581,371**	**360,299,742**	**1,248,956,990**
Net income for the period	**--**	**--**	**--**	**55,076,787**	**55,076,787**
Transfers to reverses	**--**	**5,507,679**	**5,507,679**	**(11,015,358)**	**--**
Zakat and income tax	**--**	**--**	**--**	**(4,465,784)**	**(4,465,784)**
	800,000,000	**53,583,556**	**46,089,050**	**399,895,387**	**1,299,567,993**

The accompanying notes from (1) to (20) are an integral part of these interim condensed financial statements

1. ACTIVITIES

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

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

2. BASIS OF PREPARING THE INTERIM FINANCIAL STATEMENTS

a) *Statement of compliance*

These interim condensed financial statements of the Company have been prepared in accordance with the International Accounting Standard 34: 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) as required by the Implementing Regulation of the Finance Companies Control Law.

The disclosures made in these interim condensed financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. These interim condensed financial statements do not include all of the information required for a full set of financial statements.

b) *Basis of measurement*

The interim condensed financial statements are prepared under the historical cost convention.

c) *Functional and presentation currency*

These interim condensed financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Company. The figures in these interim condensed financial statements are rounded to the nearest Saudi riyal.

d) *Others*

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

The statement of financial position shows assets and liabilities in order of their liquidity, which the directors consider to be more relevant to the Company’s business than a current / non-current classification.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements as at and for the year ended 31 December 2015.

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

Amendments to IAS 1 – "Presentation of Financial Statements", applicable for the annual periods beginning on or after 1 January 2016, clarify, existing IAS 1 requirements in relation to:

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

The amendments further clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

Annual improvements to IFRS 2012-2014 cycle applicable for annual periods beginning on or after 1 January 2016. A summary of the amendments is as follows:

- IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations".
- IFRS 7 – "Financial Instruments: Disclosures" has been amended to clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. The nature of the fee and the arrangement should be assessed in order to consider whether the disclosures are required under IFRS 7 and the assessment must be done retrospectively. IFRS 7 has been further amended to clarify that the offsetting disclosure requirements do not apply to interim condensed financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.
- IAS 19 – "Employee Benefits" – amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- IAS 34 – "Interim Financial Reporting" – amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-referencing to the interim financial report (e.g., in the management commentary or risk report). However, the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.
- Amendments to IFRS 10 – "Consolidated Financial Statements", IFRS 12 – "Disclosure of Interests in Other Entities" and IAS 28 – "Investments in Associates", applicable for the annual periods beginning on or after 1 January 2016, address three issues that have arisen in applying the investment entities exception under IFRS 10
- Amendments to IFRS 11 – "Joint Arrangements", applicable for the annual periods beginning on or after 1 January 2016, require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 – "Business Combinations" and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Cash and cash equivalents

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

c) Long-term investments

Long-term investments represent receivable from customers on account of 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 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.

d) Impairment in Investment in Finance Lease

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

e) Other real estate assets

The Company, in the ordinary course of business, acquires certain real estate against settlement of due finance leases. Such real estate properties are considered as assets held for sale and are initially stated at the lower of net realisable value of due finance leases or the current fair value of the related properties, less any costs to sell, if material. No depreciation is charged on such real estate.

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, is charged to the income statement.

Any subsequent gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised as income together with any gain / loss on disposal.

f) Property and equipment

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

	Rate
Leasehold improvements	10%
Motor vehicles	25%
Furniture, fixture and office equipment	10%-25%
Computers	25%-33.3%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment

Amortisation
Intangible assets are amortised on a straight -line basis in profit or loss over their estimated useful lives from the date that they are available for use.

The intangible assets comprise of computer software and their estimated useful life for the current and comparative years is 3-5 years.

h) Deferred origination fees

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

i) Accrued expenses and other liabilities

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

j) Impairment

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

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

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

j) End of service benefits

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

k) Zakat and income tax

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

(Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Provisions

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

m) Revenue recognition

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

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

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

n) Operating expenses

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

o) Foreign currency transactions

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

4. LONG TERM INVESTMENT

Net investments in the finance lease is summarized below:

	June 30 2016 (Unaudited)	31 December 2015 (Audited)
Minimum lease payments:		
Performing leases	5,960,078,458	5,700,022,320
Non-performing leases	97,838,808	109,011,116
Long term investments – Gross	6,057,917,266	5,809,033,436
Unearned finance income	**(2,222,958,181)**	(2,136,031,599)
Long term investments before provision	**3,834,959,085**	3,673,001,837
Less: Provision for lease losses	**(10,399,182)**	(9,552,087)
Long term investments	**3,824,559,903**	3,663,449,750
Accrued finance lease income receivable	**28,199,790**	26,145,725
Long term investments including finance income receivable	**3,852,759,693**	3,689,595,475
Less: Current portion	**(229,245,639)**	(213,072,646)
Non-current portion	**3,623,514,054**	3,476,522,829

(Saudi Riyals)

4. LONG TERM INVESTMENT (CONTINUED)

Total number of deals as at 30th June 2016 is 5645 (December 31, 2015:5402)

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

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

	30 June 2016 *(Unaudited)*	31 December 2015 *(Audited)*
Provision at the beginning of the period / year	**9,552,087**	3,846,739
Provision for the period	**847,095**	5,705,348
Provision at the end of the period / year	**10,399,182**	9,552,087

5. DEFERRED ORIGINATION FEES

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

6. PROPERTY AND EQUIPMENT

The following is a statement of cost of additions and disposals from property and equipment for the six months period ended 30 June 2016.

	30 June 2016		30 June 2015	
	Additions	**Disposals**	Additions	Disposals
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Leasehold improvements	**136,472**	**--**	--	--
Vehicles	**300,000**	**82,700**	--	--
Furniture, fixtures and office equipment	**5,589**	**--**	20,237	--
Computers	**284,282**	**4,595**	91,421	--
Work in process	**1,532,541**	**--**	2,308,245	--
Total	**2,258,884**	**87,295**	2,419,903	--

(Saudi Riyals)

7. RELATED PARTY TRANSACTIONS

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

Name	Relationship
Arab National Bank	Shareholder
Afwaf Investment Company	Affiliate

Balances related to related party is comprised of the following:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Due from related parties - Arab National Bank	**1,234,141**	2,607,061
Tawaruq financing facilities (Note 13)	**2,398,022,738**	2,383,866,987

The significant transactions during the period and the related amounts are as follows:

	For the period ended June 30	
	2016 (Unaudited)	2015 (Unaudited)
Tawaruq financing charges	**(43,065,384)**	(38,152,104)
Service Fees, net	**6,682,900**	7,373,438
Deferred origination fees (Note 5)	**(1,735,382)**	(1,047,488)
Rent charged by an affiliate	**(789,300)**	(789,300)

Compensation of directors and other key management personnel

	For the period ended June 30	
	2016 (Unaudited)	2015 (Audited)
Total key management benefits	**2,880,469**	2,782,303
	2,880,469	2,782,303

8. PREPAID EXPENSES AND OTHER ASSETS, NET

Prepaid expenses and other assets comprised of the following:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Insurance claims	**16,176,330**	14,679,037
Prepaid GIB facility fees	**1,762,500**	1,987,500
Legal claim	**1,018,356**	1,018,356
Prepaid Insurance	**659,443**	--
Prepaid software maintenance	**426,413**	579,243
Prepaid rent	**311,991**	559,040
Others	**249,085**	71,007
Employees' advances and receivables	**117,301**	65,841
Advance tax	**--**	3,620,561
Total before allowance for impairment	**20,721,419**	22,580,585
Allowance for impairment	**(3,393,912)**	(3,413,962)
Net	**17,327,507**	19,166,623

(Saudi Riyals)

9. ADVANCES TO PROPERTY OWNERS

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

10. SHARE Capital

Capital is divided into 80 million shares of SAR 10 each as of 30 June 2016 are as follows:

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

11. STATUTORY RESERVE

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

12. GENERAL RESERVE

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

13. TAWARUQ FINANCING FACILITIES

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Current portion of facilities	**486,262,549**	492,500,270
Non-current portion of facilities	**2,207,760,189**	1,989,366,717
Total excluding financial charges	**2,694,022,738**	2,481,866,987
Accrued Tawaruq financing charges	**3,106,230**	3,372,530
Total including financial charges	**2,697,128,968**	2,485,239,517

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

(Saudi Riyals)

13. TAWARUQ FINANCING FACILITIES (CONTINUED)

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

As part of the Asset Sale Agreement and the Board of Directors resolutions, Arab National Bank has signed a Service Agreement with the Company and has appointed them to render administrative services in relation to the sold investments. Service fees charged during the period ended 2016 is 7.56 million (SR 8.35 million during the period ended 2015) with related expenses amounting to SR 0.873 million (SR 0.974 million during the period ended 2015), which is considered to be at market value for the amount of services provided.

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

14. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities comprised of the following:

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Employees' related expenses	**3,350,196**	4,807,200
Accrued Insurance	**1,043,414**	--
Accrued rent	**839,882**	--
Accrued legal and consultation fees	**485,080**	457,714
Maintenance commitments on finance lease contracts	**458,512**	1,296,815
Accrued brokerage fees	**380,752**	255,604
Others	**165,817**	536,503
Total	**6,723,653**	7,353,836

15. PROVISION FOR ZAKAT AND INCOME TAX

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

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Balance, beginning of the period / year	**7,847,553**	9,599,222
Provision for the period / year	**4,465,784**	7,824,874
Zakat adjustment charged to RE	**--**	199,769
Income tax adjustment	**--**	(3,031,734)
Payment during the period / year	**(7,767,586)**	(6,744,578)
Balance, end of the period / year	**4,545,751**	**7,847,553**

The estimate for the period provided at interim stage is the best estimate of Management, therefore, actual figures may differ at year-end.

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

Basic and diluted earnings per share for the three and six month periods ended 31 March 2016 and 30 June 2016 respectively have been computed by dividing the net income for the relevant periods by the weighted average number of issued outstanding shares for the three and six months ended 31 March 2016 and 30 June 2016 respectively. The relevant average is 80,000,000 shares for the three and six month periods then ended.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

18. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets (including lease receivables) and financial liabilities are measured at amortized cost. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values except for net investments in finance leases and Tawaruq financing facilities. The fair values of net investments in finance leases and Tawaruq financing facilities as at 30 June 2016 are as follows:

Financial Statement Caption	Fair value hierarchy	Amount SAR
Net investments in finance leases	Level 3	**3,664,614,340**
Tawaruq Financing Facilities	Level 3	**2,656,918,284**

The fair value of net investment in finance lease is determined using discounted cash flow technique considering the market rates. The market rates are determined based on the risk profile of lease receivables and current interest rates.

19. COMMITEMENT AND CONTINGENCIES

The Company has contingencies related to outstanding letter of guarantee issued by the Company in its normal course of business amounting to SR 45,638,701 (2015: SR 45,638,701) issued in favor of DZIT related to the Zakat and tax assessments raised for previous years.

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

20. EXECUTIVE COMMITTEE' APPROVAL

These interim condensed financial statements were approved by the Executive Committee on 25 July 2016 corresponding to 20 Shawwal 1437H.