SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE PERIOD OF THREE MONTHS ENDED MARCH 31, 2016
TOGETHER WITH INDEPENDENT AUDITORS' REPORT ON
LIMITED REVIEW

Crowe Horwath™
Al Azem & Al Sudairy
CPA's & Consultants
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INDEPENDENT AUDITORS' REPORT ON LIMITED REVIEW

TO: SHAREHOLDERS OF
SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)

Scope of Review: We have reviewed the accompanying interim statement of financial position of **Saudi Home Loans Company (SHL) (A Saudi Closed Joint Stock Company)** as of March 31, 2016 and the related interim statements of profit or loss and other comprehensive income, cash flows, changes in shareholders' equity for the three months period then ended, and the notes from (1) to (21) which are an integral part of these interim financial statements which have been prepared by 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 requested. These interim condensed financial statements are the responsibility of the Company's management.

Our review was limited for the interim condensed financial statements and was conducted in accordance with standard on review of interim financial reporting issued by the Saudi Organization For Certified Public Accountant ("SOCPA"). The limited review consists principally of analytical procedures applied to financial data and inquiries of the Company's personnel responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards in Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion: Based on our limited review, we are not aware of any material modifications that should be made to the interim condensed financial statements to be in conformity with IAS 34.

Emphasis of matter: We draw attention to the fact that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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18 Rajah 1437H (April 25, 2016)
Riyadh, Saudi Arabia

SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2016
(Saudi Riyals)

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Cash and cash equivalents (Note 3b)	**65,539,883**	8,200,836
Accrued finance lease income receivable	**27,311,376**	26,145,725
Prepaid expenses and other assets, net (Note 8)	**23,739,425**	21,562,229
Advances to property owners (Note 9)	**325,000**	4,492,000
Due from related parties (Note 7)	**1,264,056**	2,607,061
Non-current assets held for sale (Note 3e)	**1,079,685**	224,685
Intangible assets, net (Note 3g)	**5,836,052**	6,070,215
Long term Investment (Notes 3c and 5)	**3,714,291,441**	3,663,449,750
Deferred origination fees (Notes 3h and 6)	**33,872,442**	34,147,831
Property and equipment, net (Note 3f)	**5,576,472**	5,369,726
Total assets	**3,878,835,832**	3,772,270,058
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	**1,338,143**	2,690,546
Accrued expenses and other liabilities (Notes 3i and 14)	**10,221,995**	13,121,972
Advance lease rental	**15,864,680**	13,970,160
Provision for estimated Zakat and income tax (Notes 3l and 15)	**7,847,553**	7,847,553
Tawaruq financing facilities (Note 13)	**2,562,142,016**	2,481,866,987
End of service benefits (Note 3k)	**4,056,495**	3,815,850
Total liabilities	**2,601,470,882**	2,523,313,068
Shareholders' Equity:		
Share capital (Note 10)	**800,000,000**	800,000,000
Statutory reserve (Note 11)	**50,916,673**	48,075,877
General reserve (Note 12)	**43,422,167**	40,581,371
Retained earnings	**383,026,110**	360,299,742
Total shareholders' equity	**1,277,364,950**	1,248,956,990
Total liabilities and shareholders' equity	**3,878,835,832**	3,772,270,058

The accompanying notes from (1) to (21) are an integral part of these interim condensed financial statements

SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016
(Saudi Riyals)

	For three months ended March 31	
	2016 (Unaudited)	2015 (Unaudited)
Lease finance income (Note 3n)	**62,750,212**	60,355,789
Service fees, net (Note 3n)	**3,383,660**	3,725,620
Financing charges	**(22,342,667)**	(19,804,731)
Net lease finance income	**43,791,205**	44,276,678
Application and evaluation fee income (Note 3n)	**972,345**	475,350
Total operating income	**44,763,550**	44,752,028
Selling and marketing expenses (Note 3o)	**(5,736,866)**	(5,014,893)
General and administrative expenses (Note 3o)	**(10,918,724)**	(10,441,296)
Net operating income	**28,107,960**	29,295,839
Other income	**300,000**	50,019
Net income for the year	**28,407,960**	29,345,858
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	**28,407,960**	29,345,858
Basic and diluted earnings per share (Note 16)	**0.36**	0.37

The accompanying notes from (1) to (21) are an integral part of these interim condensed financial statements

SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016
(Saudi Riyals)

	2016 (Unaudited)	2015 (Unaudited)
Cash Flows from Operating Activities		
Net income for the period	28,407,960	29,345,858
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	355,106	297,100
Amortization	354,163	34,648
Gain on sale of property and equipment	-	-
Provision for end of service benefits	285,260	254,480
Provision for lease losses	1,152,607	735,737
Changes in assets and liabilities:		
Net change in finance lease investments	(51,994,298)	(29,338,450)
Net change in related party balances	1,343,005	11,685
Prepaid expenses and other assets	(2,177,196)	(13,216,652)
Advances to property owners	4,167,000	21,655,300
Accrued finance lease income receivable	(1,165,651)	(5,707,513)
Accrued expenses and other liabilities	(2,899,977)	(12,382,851)
Property available for sale	(855,000)	-
Advance lease rental	1,894,520	675,182
Accounts payable	(1,352,403)	(1,043,700)
Net change in deferred origination fees	275,389	54,331
End of service benefits paid	(44,615)	(115,281)
Net cash used in operating activities	(22,254,130)	(8,740,126)
Cash Flows from Investing Activities		
Purchase of property and equipment	(681,852)	(338,859)
Net cash used in investing activities	(681,852)	(338,859)
Cash Flows from Financing Activities		
Net change in tawaruq financing facilities	80,275,029	84,106,728
Net cash provided by financing activities	80,275,029	84,106,728
Net increase in cash and cash equivalents	57,339,047	75,027,743
Cash and cash equivalents at the beginning of the period	8,200,836	2,827,136
Cash and cash equivalents at the end of the period	65,539,883	77,854,879
Non-cash transactions		
Capital work in progress transferred to intangible assets and property and equipment	355,030	70,983

The accompanying notes from (1) to (21) are an integral part of these interim condensed financial statements

SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016
(Saudi Riyals)

	For the period ended March 31, 2015 (Unaudited)				
	Capital	Statutory reserve	General reserve	Retained earnings	Total Shareholders' Equity
Beginning of the year	800,000,000	36,016,581	28,522,075	271,850,007	1,136,388,663
Net income for the year	-	-	-	29,345,858	29,345,858
Transfers to reserve	-	2,934,586	2,934,586	(5,869,172)	-
	800,000,000	38,951,167	31,456,661	295,326,693	1,165,734,521

	For the period ended March 31, 2016 (Unaudited)				
	Capital	Statutory reserve	General reserve	Retained earnings	Total Shareholders' Equity
Beginning of the year	800,000,000	48,075,877	40,581,371	360,299,742	1,248,956,990
Net income for the year	-	-	-	28,407,960	28,407,960
Transfers to reserve	-	2,840,796	2,840,796	(5,681,592)	-
	800,000,000	50,916,673	43,442,167	383,026,110	1,277,364,950

The accompanying notes from (1) to (21) 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 Dul Al Hejja 22, 1428H (corresponding to January 1, 2008). The Company also operates under Saudi Arabian General Investment Authority (SAGIA) license no: 102030072425-01 dated 23 Rajab 1430H (corresponding to July 16, 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 Madina.

2. BASIS OF PREPARING THE INTERIM FINANCIAL STATEMENTS

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34- "Interim Financial Reporting". These financial statements have been prepared on the historical cost basis except for revaluation of investments, which are carried at fair value.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2015.

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.

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 IFRS 10, IFRS 12, and IAS 27 that provide consolidation relief for investment funds applicable from January 1, 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through income statement provided it fulfils certain conditions with an exception being for subsidiaries that are considered an extension of the investment entity's investing activities;

IAS 32 amendment applicable from January 1, 2014 clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle;

IAS 36 amendment applicable retrospectively from January 1, 2014, addresses the disclosure of information about the recoverable amount of impaired assets. Under the amendments, recoverable amounts of every cash generating unit to which goodwill or indefinite – lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognized or reversed;

IAS 39 amendment applicable from January 1, 2014 added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specified criteria;

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company, since the Company is an existing IFRS preparer.

Standards issued not yet effective

The relevant standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below

IFRS 9 Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

Standards issued not yet effective

Annual improvements 2010-2012 Cycle - These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

IFRS 8 Operating Segments - The amendments are applied retrospectively and clarifies that:

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

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures - The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.
IFRS 16 Leases

The amended IFRS 16 (Leases) released on January 13, 2016 which changes the set of requirements for the accounting treatment for asset, liability and other complexities such as non-lease element, variable lease period and option periods. The standard is effective from January 01, 2019 with early adoption permitted in certain circumstances.

b) Cash and cash equivalents --

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

c) Long-term investments --

Long-term investments represent notes receivable from customers on finance lease. Leases are classified as finance lease whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee .

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Provision for lease losses --

The Company reviews its problem 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 judgment and uncertainty, and actual results may differ resulting in future changes to such provisions .

e) Non-current asset held for sale --

Represents properties acquired in satisfaction of debts and management's intention is to sell these properties in the near future. Properties available for sale are stated at the lower of cost or net realizable value .

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%

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 estimated useful live for the current and comparative years is as follows:

Computer software 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

k) 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.

l) Estimated 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.

m) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) 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.

o) 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.

p) 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. ADJUSTMENTS RELATED TO THE PERIOD

The company's management has prepared all the adjustments needed to fairly present the financial position and the results of its operations, however the results of its operations for the quarter ended March 31, 2016 and 2015 may or may not reflect of the actual results of the audited yearly financial statement.

5. LONG TERM INVESTMENT

Net investments in the finance lease is summarized below:

	March 31, 2016 (Unaudited) SR	December 31, 2015 (Audited) SR
Minimum lease payments:		
Performing leases	**5,756,403,748**	5,700,022,320
Non-performing leases	**131,341,598**	109,011,116
Long term investments - Gross	**5,887,745,346**	5,809,033,436
Unearned finance income	**(2,162,749,211)**	(2,136,031,599)
Long term investments before provision	**3,724,996,135**	3,673,001,837
Less: Provision for lease losses	**(10,704,694)**	(9,552,087)
Long term investments	**3,714,291,441**	3,663,449,750
Less: Current portion	**(189,343,865)**	(186,926,921)
Non-current portion	**3,524,947,576**	3,476,522,829

5. LONG TERM INVESTMENT (CONTINUED)

Total number of deals as at March 31, 2016 is 5,482 (December 31, 2015: 5,402).

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.

6. 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.

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

Due from related parties, is comprised of the following:

	March 31, 2016 (Unaudited) SR	December 31, 2015 (Audited) SR
Arab National Bank	**1,264,056**	2,607,061

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

	March 31, 2016 (Unaudited) SR	December 31, 2015 (Audited) SR
Loan obtained from a shareholder (Note 13)	**2,264,142,016**	2,383,866,987

	For the period ended March 31	
	2016 (Unaudited) SR	2015 (Unaudited) SR
Tawaruq financing charges	**20,344,953**	19,804,731
Service Fees, net	**3,383,660**	3,725,620
Deferred origination fees (Note 6)	**484,902**	685,990
Rent charged by an affiliate	**394,651**	394,651

Compensation of directors and other key management personnel

	For the period ended March 31	
	2016 (Unaudited) SR	2015 (Unaudited) SR
Total key management benefits	**1,440,234**	1,391,152
	1,440,234	1,391,152

8. PREPAID EXPENSES AND OTHER ASSETS, NET

Prepaid expenses and other assets comprised of the following:

	March 31, 2016 (Unaudited) SR	December 31, 2015 (Audited) SR
Insurance claims	**15,092,356**	14,679,037
Advance tax	**3,620,561**	3,620,561
Prepaid GIB facility fees	**1,875,000**	1,987,500
Prepaid Insurance	**1,700,927**	-
Legal claim	**1,018,356**	1,018,356
Prepaid rent	**529,971**	559,040
Prepaid software maintenance	**481,660**	579,243
Employees' advances and receivables	**22,537**	65,841
Others	**416,413**	71,007
Total before provision	**24,757,781**	22,580,585
Provision for doubtful debts	**(1,018,356)**	(1,018,356)
Net	**23,739,425**	21,562,229

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 31 March 2016 are as follows:

	No. of shares	**Share capital SR**
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 Rajab 2, 1433H (corresponding to June 19, 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

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 covering 105% of outstanding facilities in favor of the bank. These facilities bear finance charges at 6 months 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 2012 with the last installment due at facility maturity date.

In their meetings held on March 27, 2014, and July 7, 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 March 27, 2014, May 22, 2014, and July 20, 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 quarter ending March 31, 2016 is SR 3.8 million (Quarter ended March 31, 2015: SR 4.2 million) with related expenses amounting to SR 0.44 million (SR 0.49 million for quarter ended March 31, 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 repaid 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 6 months SIBOR plus a profit margin of 1.95%

As at March 31, 2016, loan from ANB is 2,264,142,016 SR (December 31, 2015: 2,383,866,987 SR) and from GIB is 298,000,000 SR (December 31, 2015: 98,000,000 SR).

14. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities comprised of the following:

	March 31 2016 (Unaudited) SR	December 31 2015 (Audited) SR
Maintenance commitments	**507,312**	1,296,815
Accrued Tawaruq financing charges	**1,248,736**	3,372,530
Employees' related expenses	**3,415,495**	4,807,200
Accrued Rent	**445,232**	-
Accrued brokerage fees	**203,942**	255,604
Accrued legal and consultation fees	**260,330**	457,714
Accrued Insurance	**1,498,245**	-
Others	**2,642,703**	2,932,109
Total	**10,221,995**	13,121,972

15. PROVISION FOR ESTIMATED ZAKAT AND INCOME TAX

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

	March 31 2015 (Unaudited) SR	December 31 2015 (Audited) SR
Balance, beginning of the year	**7,847,553**	9,599,222
Provision for the year	-	7,824,874
Zakat Adjustment charged to retained earnings	-	199,769
Income tax adjustment	-	(3,031,734)
Payment during the year	-	(6,744,578)
Balance, end of the year	7,847,553	7,847,553

16. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the three months ended 31 March 2016 and 31 December 2015 have been computed by dividing the net income for the relevant periods by the weighted average number of issued outstanding shares for the three months ended 31 March 2016 and 31 December 2015, respectively. The relevant average is 80,000,000 for the three months ended March 31, 2016 and 2015

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.

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17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

- **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 VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable parties in an arm's length transactions. Management believes that the fair value of the company's financial assets and liabilities are not materially different from their carrying values.

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 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. GENERAL

The figures in these interim financial statements are rounded to the nearest Saudi riyal

21. INTERIM RESULTS

The results of operations for the interim periods may not be a fair indication of the results of the full year operations of the Company.