



SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015
(Saudi Riyals)

	March 31, 2015	December 31, 2014
	(Unaudited)	(Audited)
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3b)	77,854,879 ✓	2,827,136 ✓
Accrued finance lease income receivable	26,597,099 ✓	20,889,586 ✓
Current portion of finance lease investment (Notes 3c & 5)	188,056,242 ✓	184,215,312 ✓
Current portion of deferred origination fees Notes 3g & 6)	2,983,211 ✓	2,944,879 ✓
Prepaid expenses and other assets, net (Note 8)	23,417,165 ✓	10,200,513 ✓
Advances to property owners (Note 9)	17,488,900 ✓	39,144,200 ✓
Due from related parties (Note 7)	1,415,673 ✓	1,427,358 ✓
Non-Current assets held for sale (Note 3e)	272,385 ✓	272,385 ✓
Total current assets	338,085,554 ✓	261,921,369 ✓
Non-Current Assets:		
Non-current portion of finance lease investment (Notes 3c & 5)	3,394,727,065 ✓	3,369,965,282 ✓
Non-current portion of deferred origination fees (Notes 3g & 6)	32,548,642 ✓	32,641,305 ✓
Property and equipment, net (Note 3f)	8,980,731 ✓	8,973,620 ✓
Total non-current assets	3,436,256,483 ✓	3,411,580,207 ✓
Total assets	3,774,341,992 ✓	3,673,501,576 ✓
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	1,027,626 ✓	2,071,326 ✓
Accrued expenses and other liabilities (Notes 3h & 14)	19,471,240 ✓	31,854,091 ✓
Advance Lease Rental	12,640,925 ✓	11,965,743 ✓
Current portion of tawaruq loan (Note 13)	313,542,926 ✓	154,783,699 ✓
Provision for Zakat and income tax (Notes 3k and 15)	9,599,222 ✓	9,599,222 ✓
Total current liabilities	356,281,939 ✓	210,274,081 ✓
Non - Current Liabilities:		
Non-current portion of tawaruq loan (Note 13)	2,249,142,015 ✓	2,323,794,514 ✓
End of service benefits (Note 3j)	3,183,517 ✓	3,044,318 ✓
Total non-current liabilities	2,252,325,532 ✓	2,326,838,832 ✓
Shareholders' Equity:		
Share capital (Note 10)	800,000,000 ✓	800,000,000 ✓
Statutory reserve (Note 11)	38,951,167 ✓	36,016,581 ✓
General reserve (Note 12)	31,456,661 ✓	28,522,075 ✓
Retained earnings	295,326,693 ✓	271,850,007 ✓
Total shareholders' equity	1,165,734,521 ✓	1,136,388,663 ✓
Total Liabilities And Shareholders' Equity	3,774,341,992 ✓	3,673,501,576 ✓

The accompanying notes from (1) to (19) are an integral part of these interim financial statements

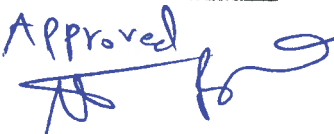
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FOR REVIEW AND DISCUSSION
SUBJECT TO CHANGE**

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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, 2015
(Saudi Riyals)

	<u>March 31, 2015</u> <u>(Unaudited)</u>	<u>March 31, 2014</u> <u>(Unaudited)</u>
Lease finance income (Note 3m)	60,355,789 ✓	58,431,518 ✓
Service fees, net (Note 3m)	3,725,620 ✓	- ✓
Financing charges	<u>(19,804,731) ✓</u>	<u>(19,309,753) ✓</u>
Net lease finance income	44,276,678	39,121,765
Application and evaluation fee income (Note 3m)	<u>475,350 ✓</u>	<u>1,805,750 ✓</u>
Total operating income	<u>44,752,028 ✓</u>	<u>40,927,515 ✓</u>
General and administrative expenses (Note 3n)	<u>(10,441,296) ✓</u>	<u>(9,115,055) ✓</u>
Selling and marketing expenses (Note 3n)	<u>(5,014,893) ✓</u>	<u>(5,702,139) ✓</u>
Net operating income	29,295,839 ✓	26,110,321
Other Income (Note 3m)	<u>50,019 ✓</u>	-
Net income for the period	29,345,858 ✓	26,110,321
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 year	<u>29,345,858 ✓</u>	<u>26,110,321</u>


The accompanying notes from (1) to (19) are an integral part of these interim financial statements

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SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CASH FLOW
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015
(Saudi Riyals)

	31 March, 2015	31 March, 2014
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Cash Flows from Operating Activities		
Net profit for the period	29,345,858	26,110,321
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation	331,748	335,960
Changes in assets and liabilities:		
Net change in related party balances	11,685	(1,178,355)
Prepaid expenses and other assets	(13,216,652)	(4,058,646)
Advances to property owners (Note 9)	21,655,300	(1,020,244)
Accrued finance lease income receivable	(5,707,513)	(13,469,660)
Accrued expenses and other liabilities (Notes 3h & 14)	(12,382,851)	(2,334,840)
Advance Lease Rental - Pipe Line	675,182	12,655,406
Accounts payable	(1,043,700)	(1,123,671)
Net change in end of service benefits	139,199	152,578
Net cash provided by operating activities	<u>19,808,256</u>	<u>16,068,849</u>
Cash Flows from Investing Activities		
Net change in finance lease investment	(28,602,713)	(29,964,417)
Purchase of property and equipment	(338,859)	(1,413,441)
Net change in deferred origination fees	54,331	(1,990,455)
Net cash used in investing activities	<u>(28,887,241)</u>	<u>(33,368,313)</u>
Cash Flows from Financing Activities		
Net change in Tawaruq Loan	84,106,728	(10,267,887)
Net cash provided by (used in) financing activities	<u>84,106,728</u>	<u>(10,267,887)</u>
Net increase (decrease) in Cash and cash equivalents	75,027,743	(27,567,351)
Cash and cash equivalents at the beginning of the period	<u>2,827,136</u>	<u>67,297,336</u>
Cash and cash equivalents at the end of the period	<u>77,854,879</u>	<u>39,729,985</u>

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SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015
(Saudi Riyals)

	<u>March 31, 2015</u> <u>(Unaudited)</u>	<u>December 31, 2014</u> <u>(Audited)</u>
Capital (Note 10)	<u>800,000,000</u>	<u>800,000,000</u>
Statutory reserve (Note 11):		
Beginning of the period	36,016,581	24,771,371
Transfer from retained earnings	<u>2,934,586</u>	<u>11,245,210</u>
End of the period	<u>38,951,167</u>	<u>36,016,581</u>
General reserve (Note 12):		
Beginning of the period	28,522,075	17,276,865
Transfer from retained earnings	<u>2,934,586</u>	<u>11,245,210</u>
End of the period	<u>31,456,661</u>	<u>28,522,075</u>
Retained earnings:		
Beginning of the period	271,850,007	188,992,849
Net income for the period	29,345,858	112,452,095
Zakat and income tax provision	-	(7,104,517)
Transferred to statutory reserve	<u>(2,934,586)</u>	<u>(11,245,210)</u>
Transferred to general reserve	<u>(2,934,586)</u>	<u>(11,245,210)</u>
End of the period	<u>295,326,693</u>	<u>271,850,007</u>
Total Shareholders' Equity	<u>1,165,734,521</u>	<u>1,136,388,663</u>

The accompanying notes from (1) to (19) are an integral part of these interim financial statements

TENTATIVE AND PRELIMINARY DRAFT
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SAUDI HOME LOANS COMPANY (SHL)
(A Saudi Closed Joint Stock Company)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015
(Saudi Riyals)

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 in the Kingdom of Saudi Arabia, financing of real estates that are developed by all companies operating in the real estate development and financing the establishment of commercial and industrial projects.

2. BASIS OF PREPARING THE INTERIM FINANCIAL STATEMENTS

The accompanying interim financial statements have been prepared on the basis of historical cost in accordance with the accrual concept, and prepared by complying with International Financial Reporting Standards (IFRS).

Items appear in the interim financial statements of the Company in Saudi Riyals which is the functional and disclosure currency of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Use of estimates --

The preparation of the interim financial statements in conformity with generally accepted accounting standards 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 date of the interim financial statements 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 ultimately may differ from those estimates.

b) Cash and cash equivalents --


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

c) Finance lease investments --

Finance lease 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 .

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 .

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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 :

	<u>Years</u>
Leasehold improvements	10 years
Motor vehicles	4 years
Furniture, fixture and office equipment	4-10 years
Computers and software	3-5 years

g) Deferred origination fees --

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

h) Accrued expenses and other payables --



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

i) 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.

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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.

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 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 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 period ended December 31, 2015 and 2014 may or may reflect of the actual results of the audited yearly financial statement.

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5. FINANCE LEASE INVESTMENTS, NET

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 ORIGATION 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 fee 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:

<u>Name</u>	<u>Relationship</u>
Arab National Bank	Shareholder
Kingdom Installment Company for Trading	Shareholder
Dar Al Arkan Real Estate Development Company	Shareholder
Emar Albyader for Development and Trading Company	Affiliate
Madarat Development and Technology Company	Affiliate
Afwaf Investment Company	Affiliate

Due from related parties, is comprised of the following:

	<u>March 31, 2015</u> <u>(Unaudited)</u>	<u>December 31, 2014</u> <u>(Audited)</u>
Arab National Bank	1,414,829 ✓	1,427,358 ✓
Afwaf Investment Company	844 ✓	-
Total	1,415,673	1,427,358

8. PREPAID EXPENSES AND OTHER ASSETS, NET

Prepaid expenses and other assets comprised of the following:

	<u>March 31, 2015</u> <u>(Unaudited)</u>	<u>December 31, 2014</u> <u>(Audited)</u>
Insurance	1,192,349 ✓	5,144,927 ✓
Advance tax	3,235,257 ✓	3,059,929 ✓
Prepaid rent	524,581 ✓	586,941 ✓
Prepaid software maintenance	297,438 ✓	378,710 ✓
Employees' receivables	123,129 ✓	341,146 ✓
Others	19,196,153 ✓	1,840,602 ✓
Provision for doubtful debts	(1,151,742) ✓	(1,151,742) ✓
Net	23,417,165	10,200,513

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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. CAPITAL

Capital is divided into 80 million shares of SAR 10 each as of 31 March 2015 are as follows:

	<u>No. of shares</u>	<u>Share capital</u>
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) to finance the long term investments. These 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.

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

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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 year amounted to SR 10.7 million with related expenses amounting to SR 1.3 million, which is considered to be at market value for the amount of services provided.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities comprised of the following:

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Accrued Tawaruq financing charges	8,465,130 ✓	✓19,771,656
Employees' related expenses	3,485,577 ✓	✓5,516,210
Maintenance commitments on finance lease contracts	5,052,163 ✓	✓5,200,663
Accrued rent	394,650 ✓	-
Accrued legal and consultation fees	290,000 ✓	✓850,648
Accrued insurance	996,851 ✓	-
Others	786,869	✓14,914
Total	19,471,240 ✓	✓31,854,091

15. ZAKAT AND INCOME TAX PROVISION

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

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Balance at the beginning of the period	9,599,222 ✓	✓7,285,897
Provision for the period	-	✓7,104,517
Income tax adjustment	-	✓(2,491,239)
Paid during the period	-	✓(2,299,953)
Total	9,599,222	✓9,599,222

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

- **Credit risk:** The financial risks listed in the statement of financial position are mainly on cash and cash equivalents, accounts receivable, other assets, investments, creditors, accrued liabilities and other non-current liabilities.
- **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 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.

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17. **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.



18. **GENERAL**

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

19. **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.

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28.7.2015