PROSPECTUS PART 2 OF 2: THIS MUST BE READ IN CONJUNCTION WITH PART 1 OF 2 OF THE PROSPECTUS OF SAUDI ORIX LEASING COMPANY (AVAILABLE ON THE WEBSITE OF THE CAPITAL MARKET AUTHORITY WWW.CMA.ORG.SA)

PROSPECTUS

PART 2 OF 2

SAUDI ORIX LEASING COMPANY
(a closed joint stock company incorporated under the laws of the Kingdom of Saudi Arabia on 15/09/1421H (corresponding to 11 December 2000) with Commercial Register Number 1010163957)

is offering

SAR 240,000,000 SUKUK AL-ISTITHMAR EXPIRING DECEMBER 2015

Lead Manager and Bookrunner

Samba Capital & Investment Management Company

This Prospectus includes information given in compliance with the Listing Rules issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Authority**"). The Directors, whose names appear in the "Management and Employees" section of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Arabian Stock Exchange ("**Tadawul**") do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This unofficial English translation of the official Arabic Prospectus is provided for information purposes only. The Arabic prospectus published on the Authority's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two texts.

This Prospectus is dated 13/02/1434H (corresponding to 26/12/2012G)

APPENDIX 1

(FINANCIAL STATEMENTS)

Saudi ORIX Leasing Company

(Closed Joint Stock Company)

INTERIM FINANCIAL STATEMENTS

30 JUNE 2012

ERNST & YOUNG

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Registration No. 45

AUDITORS' REPORT TO THE SHAREHOLDERS OF SAUDI ORIX LEASING COMPANY

Scope of Audit

We have audited the accompanying interim balance sheet of Saudi ORIX Leasing Company, a Closed Saudi Joint Stock Company (the "Company") as of 30 June 2012 and the related interim statements of income, cash flows and changes in shareholders' equity for the six-month period then ended . These interim financial statements are the responsibility of the Company's management and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these interim financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified Opinion

In our opinion, the interim financial statements taken as a whole present fairly, in all material respects, the financial position of the Company as of 30 June 2012 and the results of its operations and its cash flows for the six-month period then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Emphasis of a Matter

Without qualifying our opinion, we draw attention to the fact that we have not been engaged to audit the interim financial statements of the Company for the period ended 30 June 2011. Accordingly, we are unable to determine if there are any material adjustments on the interim financial statements for the period ended 30 June 2011 for them to be in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Rashid S. AlRashoud
Certified Public Accountant
Registration No. 366

Riyadh: 11 Ramadan 1433H
(30 July 2012)

INTERIM BALANCE SHEET

As at 30 June 2012

	Notes	*30 June 2012 (Audited) SR*	*30 June 2011 (Unaudited) SR*
ASSETS			
Cash and cash equivalents	3	**93,841,062**	31,339,599
Net investment in finance leases	4	**1,335,695,602**	1,033,223,548
Advances, prepayments and other receivables	5	**8,880,612**	6,405,686
Fixed assets	6	**1,787,029**	1,612,552
TOTAL ASSETS		**1,440,204,305**	1,072,581,385
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Short term loans	7	**299,000,000**	64,995,154
Current maturity of long term loans	7	**317,986,355**	195,490,511
Accounts payable	8	**164,903,361**	69,877,584
Accrued expenses and other liabilities	9	**40,261,178**	39,509,387
Long term loans	10	**187,653,685**	332,292,505
Employees' terminal benefits		**5,915,989**	4,660,599
Fair value of derivatives	11	**133,710**	154,346
TOTAL LIABILITIES		**1,015,854,278**	706,980,086
SHAREHOLDERS' EQUITY			
Share capital	12	**340,000,000**	300,000,000
Statutory reserve	12	**27,546,717**	20,170,219
Retained earnings		**56,937,020**	45,585,426
Cash flow hedge reserve	11	**(133,710)**	(154,346)
TOTAL SHAREHOLDERS' EQUITY		**424,350,027**	365,601,299
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,440,204,305**	1,072,581,385

The attached notes 1 to 22 form an integral part of these interim financial statements.

INTERIM STATEMENT OF INCOME

	Notes	*For the six-month period ended 30 June* 2012 (Audited) SR	2011 (Unaudited) SR
INCOME			
Lease finance income		**77,890,391**	63,321,947
Less:			
Special commission expense and amortisation of transaction cost		**11,477,616**	8,596,301
Net lease finance income		**66,412,775**	54,725,646
Add:			
Other operating income		**748,786**	501,846
TOTAL OPERATING INCOME		**67,161,561**	55,227,492
OPERATING EXPENSES			
Salaries and employee related expenses		**13,323,458**	12,979,501
Rent and premises related expenses, net		**542,464**	490,211
Depreciation	6	**351,356**	340,610
Other general and administrative expenses	13	**1,818,903**	1,466,368
Provision for lease losses		**7,872,717**	4,595,225
TOTAL OPERATING EXPENSES		**23,908,898**	19,871,915
NET INCOME FOR THE PERIOD		**43,252,663**	35,355,577
Basic and diluted earnings per share	15	**1.27**	1.04

The attached notes 1 to 22 form an integral part of these interim financial statements.

INTERIM STATEMENT OF CASH FLOWS

	Note	*For the six-month period ended 30 June* 2012 *(Audited)* SR	2011 *(Unaudited)* SR
Cash flows from operating activities:			
Net income for the period		**43,252,663**	35,355,577
Adjustments to reconcile net income to net cash used in operating activities:			
Amortisation of transaction costs		**128,642**	145,813
Depreciation of fixed assets		**351,356**	340,610
Provision for lease losses		**7,872,717**	4,595,225
Gain on disposal of fixed assets		**-**	(14,759)
Operating cash flows before changes in operating assets and liabilities		**51,605,378**	40,422,466
Changes in operating assets and liabilities			
Net investment in finance leases		**(184,458,525)**	(92,256,467)
Advances, prepayments and other receivables		**(1,537,583)**	(1,557,731)
Accounts payable		**102,777,561**	17,471,037
Accrued expenses and other liabilities		**6,976,008**	57,229
Employees' terminal benefits		**583,943**	528,181
Net cash used in operating activities		**(24,053,218)**	(35,335,285)
Cash flows from investing activities:			
Purchase of fixed assets		**(343,133)**	(325,522)
Proceeds from disposal of fixed assets		**-**	118,888
Net cash used in investing activities		**(343,133)**	(206,634)
Cash flows from financing activities:			
Proceeds from loans		**568,985,875**	134,995,660
Repayments of loans		**(501,178,655)**	(92,980,941)
Transaction cost paid		**-**	(21,185)
Income tax paid on behalf of non-Saudi shareholders		**(3,880,519)**	(2,498,001)
Zakat paid on behalf of Saudi shareholders		**(1,245,824)**	(915,561)
Dividends paid, net		**(15,372,153)**	(12,699,899)
Net cash from financing activities		**47,308,724**	25,880,073
Net increase (decrease) in cash and cash equivalents		**22,912,373**	(9,661,846)
Cash and cash equivalents at the beginning of the period		**70,928,689**	41,001,445
Cash and cash equivalents at the end of the period	3	**93,841,062**	31,339,599
Supplemental disclosures			
Special commission paid		**10,912,966**	10,064,612
Non-cash activity during the period			
Zakat accrued on behalf of Saudi shareholders		**732,449**	684,428
Income tax accrued on behalf of non-Saudi shareholders		**3,503,642**	2,788,570
Fair value change on cash flow hedges		**56,220**	133,104

The attached notes 1 to 22 form an integral part of these interim financial statements.

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital SR	*Statutory reserve SR*	*Reserve for the issue of bonus shares SR*	*Retained earnings SR*	*Cash flow hedge reserve SR*	*Proposed dividend SR*	*Total SR*
Six months ended 30 June 2012							
Balance at beginning of the period	300,000,000	27,546,717	40,000,000	10,792,601	(77,490)	22,500,000	400,761,828
Net income for the period	-	-	-	43,252,663	-	-	43,252,663
Net change in fair value	-	-	-	-	(56,220)	-	(56,220)
Net dividends paid	-	-	-	-	-	(15,372,153)	(15,372,153)
Issue of bonus shares (note 12)	40,000,000		(40,000,000)	-	-	-	-
Zakat accrued (note 14)	-	-	-	(732,449)	-	-	(732,449)
Zakat recovered	-	-	-	1,245,824	-	(1,245,824)	-
Income tax accrued (note 14)	-	-	-	(3,503,642)	-	-	(3,503,642)
Income tax recovered	-	-	-	5,882,023	-	(5,882,023)	-
Balance as at 30 June 2012	**340,000,000**	**27,546,717**	-	**56,937,020**	**(133,710)**	-	**424,350,027**
Six months ended 30 June 2011							
Balance at beginning of the period	250,000,000	20,170,219	50,000,000	7,652,746	(287,450)	18,750,000	346,285,515
Net income for the period	-	-	-	35,355,577	-	-	35,355,577
Net change in fair value	-	-	-	-	133,104	-	133,104
Net dividends paid	-	-	-	-	-	(12,699,899)	(12,699,899)
Issue of bonus shares (note 12)	50,000,000	-	(50,000,000)	-	-	-	-
Zakat accrued (note 14)	-	-	-	(684,428)	-	-	(684,428)
Zakat recovered	-	-	-	915,561	-	(915,561)	-
Income tax accrued (note 14)	-	-	-	(2,788,570)	-	-	(2,788,570)
Income tax recovered	-	-	-	5,134,540	-	(5,134,540)	-
Balance as at 30 June 2011	300,000,000	20,170,219	-	45,585,426	(154,346)	-	365,601,299

Analysis of retained earnings	*Saudi Shareholders SR*	*Non-Saudi shareholders SR*	*Total SR*
Six -month period ended 30 June 2012			
Balance at beginning of the period	8,969,742	1,822,859	10,792,601
Net income for the period	28,633,263	14,619,400	43,252,663
Zakat/income tax recovered	1,245,824	5,882,023	7,127,847
Zakat/income tax provision	(732,449)	(3,503,642)	(4,236,091)
Balance as at 30 June 2012	**38,116,380**	**18,820,640**	**56,937,020**
Six -month period ended 30 June 2011			
Balance at beginning of the period	6,576,139	1,076,607	7,652,746
Net income for the period	23,405,392	11,950,185	35,355,577
Zakat/income tax recovered	915,561	5,134,540	6,050,101
Zakat/income tax provision	(684,428)	(2,788,570)	(3,472,998)
Balance as at 30 June 2011	30,212,664	15,372,762	45,585,426

The attached notes 1 to 22 form an integral part of these interim financial statements.

1. THE COMPANY AND NATURE OF OPERATIONS

Saudi ORIX Leasing Company (the "Company") is a closed joint stock company established under the regulations for companies in the Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010163957 issued in Riyadh on 21 Shawal 1421H (corresponding to 16 January 2001), and non-industrial license number 99 dated 27 Safar 1421H (corresponding to 31 May 2000) issued by the Ministry of Commerce and Industry, through its four branches in the Kingdom of Saudi Arabia. The Company had 138 (2011: 118) employees as at 30 June 2012.

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

Saudi ORIX Leasing Company
343, Al Ma'ather Street
Head Office
P.O. Box 22890, Riyadh 11416
Kingdom of Saudi Arabia

The objective of the Company is to provide lease financing for movable and immovable assets.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation
These interim financial statements, expressed in Saudi Riyals are prepared in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia. Generally accepted accounting standards in Saudi Arabia comprise accounting standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). For matters where there is no guidance in the SOCPA accounting standards, the relevant International Financial Reporting Standard ("IFRS") is adopted.

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

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for lease losses
The Company reviews its lease receivables on a monthly basis to assess whether specific provisions for impairment should be recorded in the statement of 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.

In addition to specific provisions against individually significant lease receivables, the Company also makes a collective impairment provision against lease receivables which although not specifically identified as requiring a specific provision have a greater risk of default than when originally granted. This collective provision is based on any deterioration in the internal grade of the exposure since it was granted. The amount of the provision is based on the historical loss pattern for lease receivables within each grade and is adjusted to reflect current economic changes.

Fixed assets
Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Leasehold improvements	10
Motor vehicles	5
Office furniture and fixtures	5
Information technology equipment	4

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure for repair and maintenance are charged to income. Betterments that increase the value or materially extend the life of the related assets are capitalised.

Short term and long term loans
These loans include special commission bearing borrowings which are recognised initially at cost, less attributable transaction costs, if any. Subsequent to initial recognition, special commission bearing borrowings are stated at amortised cost with any difference between cost and redemption value recognised in the statement of income over the period of the borrowings on an effective special commission rate basis.

Impairment and uncollectibility of assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Employees' terminal benefits
Employees' terminal benefits are payable as a lump sum to all employees employed under the terms and conditions of Saudi Labor and Workmen Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its exposure to interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

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

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

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

Zakat and income tax

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

Foreign currency translation

Transactions in foreign currencies are translated at the rates of exchange prevailing at the dates of the respective transactions. At balance sheet date, monetary assets and liabilities in foreign currencies are translated to Saudi Arabian Riyals at the prevailing exchange rates. Gains and losses resulting from changes in exchange rates are recognised as income or expense.

Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at the balance sheet date.

Offsetting

Financial assets and liabilities are offset and are reported net in the balance sheet when there is a legally enforceable right to set off the recognised amounts and when the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. CASH AND CASH EQUIVALENTS

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

	30 June 2012 (Audited) SR	*30 June 2011 (Unaudited) SR*
Cash at banks	93,823,557	31,324,662
Cash in hand	17,505	14,937
	93,841,062	31,339,599

4. NET INVESTMENT IN FINANCE LEASES

	30 June 2012 (Audited) SR	*30 June 2011 (Unaudited) SR*
Lease receivables		
- Performing	1,797,657,528	1,403,573,970
- Non-performing	19,592,329	15,188,901
Residual value	660,884,847	509,514,152
Gross investment in finance leases	2,478,134,704	1,928,277,023
Non-refundable security deposits	(660,111,288)	(508,755,827)
Prepaid lease rentals	(216,349,384)	(172,797,981)
Unearned lease finance income	(192,640,718)	(151,146,935)
Net investment in finance leases	1,409,033,314	1,095,576,280
Provision for lease losses	(73,337,712)	(62,352,732)
	1,335,695,602	1,033,223,548

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

	30 June 2012 SR		*30 June 2011 SR*	
	MLPs	*PV of MLPs*	*MLPs*	*PV of MLPs*
Not later than one year	1,064,589,345	719,027,093	880,119,330	583,141,115
Later than one year but not later than five years	1,413,545,359	690,006,221	1,040,681,181	511,487,791
Later than five years	-	-	7,476,512	947,374
	2,478,134,704	1,409,033,314	1,928,277,023	1,095,576,280

4. NET INVESTMENT IN FINANCE LEASES (Continued)

Economic sector risk concentrations for amounts due under net investment in finance leases are as follows:

	Performing lease contracts, net	*Non-performing lease contracts, net*	*Allowance for lease losses*	*Investment in finance leases, net*
As at 30 June 2012				
Manufacturing	446,475,725	10,906,722	(4,536,217)	452,846,230
Construction & contracting	370,984,472	645,035	(278,180)	371,351,327
Services	362,380,534	417,147	(417,147)	362,380,534
Trading	201,765,766	3,307,128	(229,043)	204,843,851
Others	11,823,249	327,536	(327,536)	11,823,249
Collective impairment provision	-	-	(67,549,589)	(67,549,589)
	1,393,429,746	**15,603,568**	**(73,337,712)**	**1,335,695,602**
As at 30 June 2011				
Manufacturing	406,947,556	9,668,470	(5,248,923)	411,367,103
Construction & contracting	284,565,441	996,540	(105,599)	285,456,382
Services	248,401,485	703,428	(703,428)	248,401,485
Trading	131,147,533	67,038	(67,038)	131,147,533
Others	12,741,575	337,214	(337,214)	12,741,575
Collective impairment provision	-	-	(55,890,530)	(55,890,530)
	1,083,803,590	11,772,690	(62,352,732)	1,033,223,548

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

	30 June 2012 *SR*	*30 June 2011* *SR*
Balance at the beginning of the period	**66,985,639**	57,757,507
Provision for the period	**7,872,717**	4,595,225
Balance written off during period	**(1,520,644)**	-
	73,337,712	62,352,732

5. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2012 *SR* *(Audited)*	*30 June 2011* *SR* *(Unaudited)*
Prepaid rent	**1,897,957**	1,619,269
Loans and advances to staff	**2,527,025**	1,849,750
Advance tax	**1,425,649**	1,082,575
Prepaid professional cost	**1,097,166**	-
Other receivables from lessees	**540,630**	716,327
Advance charges against letter of credit (note 16)	**392,359**	-
Prepaid insurance	**289,129**	311,582
Prepaid visa cost	**80,420**	90,099
Receivable from insurance companies	-	178,032
Others	**630,277**	558,052
	8,880,612	6,405,686

6. FIXED ASSETS

	Leasehold improvements SR	*Office furniture and fixtures SR*	*Motor vehicles SR*	*Information technology equipment SR*	**2012 Total** *SR*	*2011 Total SR*
Cost:						
Balance at the beginning of the period	879,985	1,700,073	756,750	3,044,216	**6,381,024**	5,772,014
Additions during the period	25,363	13,809	-	303,961	**343,133**	325,522
Disposals	-	-	-	-	-	(216,207)
Balance at the end of the period	905,348	1,713,882	756,750	3,348,177	**6,724,157**	5,881,329
Depreciation:						
Balance at the beginning of the period	384,792	1,506,563	462,813	2,231,604	**4,585,772**	4,040,243
Charge for the period	44,733	55,793	66,114	184,716	**351,356**	340,610
Disposals	-	-	-	-	-	(112,076)
Balance at the end of the period	429,525	1,562,356	528,927	2,416,320	**4,937,128**	4,268,777
Net book value:						
At 30 June 2012	**475,823**	**151,526**	**227,823**	**931,857**	**1,787,029**	
At 30 June 2011	503,599	249,832	307,837	551,284		1,612,552

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

	30 June 2012 (Audited) SR	*30 June 2011 (Unaudited) SR*
Short term loans	**299,000,000**	64,995,154
Current maturity of long term loans (note 10)	**317,986,355**	195,490,511

The short term loans carry special commission rate equal to SIBOR plus bank margin. These facilities are secured by the assignment of lease contract receivables. Under the terms of the arrangements, the Company has to adhere to certain financial and non-financial covenants.

The Company has an overdraft facility of SR 40 million from a local bank, which has not been drawn down as of the balance sheet date. The facility carries special commission rate equal to SIBOR plus bank margin payable on monthly basis. The facility is secured by the assignment of lease contract receivables.

8. ACCOUNTS PAYABLE

These represent payables against purchase of assets leased by the Company.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 2012 (Audited) SR	*30 June 2011 (Unaudited) SR*
Proposed lease related payables (a)	**25,540,101**	18,637,904
Zakat & income tax accrued on behalf of shareholders	**4,700,496**	4,087,099
Accrued special commission expense	**3,661,720**	11,483,201
Salaries and employee related expenses	**1,359,821**	970,810
Insurance claims to be settled	**1,163,220**	1,010,267
Legal and professional charges	**595,267**	498,397
Others	**3,240,553**	2,821,709
	40,261,178	39,509,387

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

10. LONG TERM LOANS

	30 June 2012 (Audited) SR	*30 June 2011 (Unaudited) SR*
Long term loans (a)	**415,298,909**	427,081,712
International Finance Corporation loan (b)	**90,937,441**	101,562,443
Less: unamortised transaction costs	**(596,310)**	(861,139)
	505,640,040	527,783,016
Less: current maturity (note 7)	**(317,986,355)**	(195,490,511)
	187,653,685	332,292,505

10. LONG TERM LOANS (Continued)

a. The long-term loans carry special commission rate equal to SIBOR plus bank margins or fixed rates payable on quarterly basis and semi-annual basis. These facilities are secured by the assignment of lease contract receivables. Under the terms of the arrangements, the Company has to adhere to certain financial and non-financial covenants.

b. The Company has facilities from International Finance Corporation ("IFC"), amounting to USD 37 million (SR 138.75 million). These loans are repayable over a period of 7 to 7.5 years from the date of first drawdown (i.e. 10 July 2006) in equal half yearly installments with a grace period of 24 months. These facilities carry fixed special commission rates and are secured against assignment of lease contract receivables.

11. DERIVATIVES

As at 30 June 2012, the Company held Interest Rate Swaps ("IRS") of a notional value of around SR 97 million (2011: SR 16 million), in order to reduce its exposure to interest rate risks against long term loans.

Fair value of cash flows hedge of SR 133,710 (2011: SR 154,346) represents the negative mark to market values of the interest rate swaps as of 30 June 2012. The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the statement of income when the hedged transaction impacts the income or loss.

12. SHARE CAPITAL AND STATUTORY RESERVE

In 2012, the Company increased its paid up share capital to SR 340 million (2011: SR 300 million) by issuing bonus shares amounting to SR 40 million (2011: SR 50 million) through the capitalisation of retained earnings. The pattern of shareholding as of 30 June 2012 is as follows:

Shareholders	*Ownership percentage*	*Number of shares*	*Share capital (Amount in SR)*
The Saudi Investment Bank ("SAIB")	37.995%	12,918,300	129,183,000
Trade Development & Investment Group Limited	32.000%	10,880,000	108,800,000
Mr. Musaed Bin Mohammad Bin AbdulAziz Al Mineefi	0.005%	1,700	17,000
ORIX Corporation – Japan	27.500%	9,350,000	93,500,000
ORIX Leasing Pakistan Limited – Pakistan	2.500%	850,000	8,500,000
		34,000,000	**340,000,000**

The portion of Saudi to non-Saudi shareholders (including non-Saudi shareholders in SAIB) is 66.2% to 33.8% (2011: 66.2% to 33.8%).

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year is transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the capital. The reserve is not available for distribution.

13. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	30 June 2012 (Audited) SR	*30 June 2011 (Unaudited) SR*
License, legal and professional charges	642,762	617,580
Communication expenses	337,575	301,936
Advertising and promotion expenses	283,871	165,871
Office repair and maintenance cost	161,422	106,573
Printing and stationery	135,749	92,173
Travelling and transportation	98,435	75,562
Insurance of own assets	25,891	25,668
Others	133,198	81,005
	1,818,903	1,466,368

14. ZAKAT AND INCOME TAX

a) *Zakat*

Charge for the period

The zakat charge of SR 732,449 (2011: SR 684,428) for the period consists of the current period provision and is based on the following:

	30 June 2012 (Audited) SR	*30 June 2011 (Unaudited) SR*
Shareholders' equity at beginning	385,389,675	333,585,616
Opening provisions and adjustments	5,031,599	4,028,281
Borrowings, net	463,640,040	467,782,509
Book value of long term assets	(3,033,414)	(2,729,338)
Net investment in finance leases	(1,335,695,602)	(1,033,223,548)
	(484,667,702)	(230,556,480)
Adjusted net income for the period	44,256,759	36,128,106
Zakat base	(440,410,943)	(194,428,374)

As the zakat base for 2012 and 2011 are negative, zakat is calculated based on adjusted net income for the periods ended 30 June, attributable to the ultimate Saudi shareholders as follows:

	30 June 2012 (Audited) SR	*30 June 2011 (Unaudited) SR*
Adjusted net income attributable to Saudi shareholders	29,297,974	23,916,806
Zakat @ 2.5%	732,449	597,920
Zakat under protest	-	86,508
Net amount charged to retained earnings	732,449	684,428

14. ZAKAT AND INCOME TAX (Continued)

Movement in provision

	30 June 2012 (Audited) SR	*30 June 2011 (Unaudited) SR*
Balance as at 1 January	**1,710,234**	1,529,662
Provided during the period	**732,449**	684,428
Payment during the period	**(1,245,824)**	(915,561)
Balance as at 30 June	**1,196,859**	1,298,529

b) Income tax

Charge for the period

Income tax liability for the 2012 and 2011 has been calculated based on adjusted net income for the period ended 30 June as follows:

	30 June 2012 (Audited) SR	*30 June 2011 (Unaudited) SR*
Adjusted net income attributable to Non-Saudi shareholders	**14,857,233**	12,176,101
Income tax payable @ 20%	**2,971,447**	2,435,220
Income tax under protest (see note (c) below)	**532,195**	353,350
	3,503,642	2,788,570

Movement in provision

	30 June 2012 (Audited) SR	*30 June 2011 (Unaudited) SR*
Balance as at 1 January	**2,454,865**	1,415,424
Provided during the period	**3,503,642**	2,788,570
Payment during the period	**(2,454,870)**	(1,415,424)
Balance as at 30 June	**3,503,637**	2,788,570

14. ZAKAT AND INCOME TAX (Continued)

c) *Status of assessments*

Zakat assessment for the period ended 31 December 2001 and for the years ended 31 December 2002, 31 December 2003 and 31 December 2004 have been assessed at SR 5.5 million in excess of the provision made in these interim financial statements. This is principally due to the fact that the Department of Zakat and Income Tax ("DZIT") has not allowed a deduction from zakat base of the net investment in finance leases.

The Company has appealed against this treatment but its appeal was disallowed early in 2010 by the Preliminary Appeal Committee. The Company has filed an appeal to the Higher Appeal Committee. There is a potential risk of an additional claim of SR 83.5 million, if the same principle were to be applied for all subsequent periods up to 31 December 2011.

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

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

Further, the Company has protested the disallowances of the provision for lease losses in the adjusted profits and has filed an appeal against the same. For the period ended 30 June 2012, in order to avoid any penalty due to late payments, the Company has in addition to the zakat and income tax liability indicated in the returns, provided /paid income tax of SR 532,195. These payments / provisions have been made "under protest" on behalf of the shareholders.

15. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share for the period ended 30 June 2012 is calculated by dividing the net income for the period attributable to the shareholders by 34 million shares.

The basic and diluted earnings per share for the comparative period has been retrospectively adjusted to reflect the effect of the capital increase.

16. COMMITMENTS

	30 June 2012 (Audited) SR	*30 June 2011 (Unaudited) SR*
Finance lease contracts not yet executed	235,880,870	220,180,487
Operating lease commitments for office premises	8,787,519	1,387,500
Bank guarantees issued on behalf of the Company	6,708,811	6,708,811

17. SEGMENT REPORTING

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

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

18. CAPITAL ADEQUACY

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

	30 June 2012 (Audited)		*30 June 2011 (Unaudited)*	
	Total capital ratio %	*Tier I capital ratio %*	*Total capital ratio %*	*Tier I capital ratio %*
Capital adequacy ratios	28.11%	26.86%	30.64%	29.39%

19. RISK MANAGEMENT

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

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

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

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

For details of the composition of the investment in finance leases portfolio refer to note 4.

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

Special commission rate risk
Special commission rate risk is the uncertainty of future earnings resulting from fluctuations in special commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to special commission rate adjustment within a specified period. The most important source of such rate risk is the Company's borrowings, and investment and leasing activities, where fluctuations in special commission rates, if any, are reflected in the results of operations.

19. RISK MANAGEMENT (Continued)

Special commission rate risk (continued)

Special commission rate gap is a common measure of rate risk. A positive gap occurs when more assets than liabilities are subject to rate changes during a prescribed period of time. A negative gap occurs when liabilities exceed assets subject to rate changes during a prescribed period of time.

The effective special commission rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate of a fixed rate instrument carried at amortised cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

The Company's exposure to the risk of changes in special commission rates, before the effect of any hedging, relates primarily to the Company's long term debt obligations with floating special commission rate amounting to SR 277 million (2011: 357 million) having an overall effective commission rate of 2.99% (2011: 3.58%).

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

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

30 June 2012 (Audited)	*Within 3 months SR*	*3 to 12 months SR*	*1 to 5 years SR*	*No fixed maturity SR*	*Total SR*
Liabilities					
Short term loans	300,239,142	-	-	-	300,239,142
Accounts payable	164,903,361	-	-	-	164,903,361
Accrued expenses and other liabilities	40,261,178	-	-	-	40,261,178
Long term loans	38,661,426	292,218,441	197,669,853	-	528,549,720
Employees' terminal benefits	-	-	-	5,915,989	5,915,989
	544,065,107	**292,218,441**	**197,669,853**	**5,915,989**	**1,039,869,390**
30 June 2011 (Unaudited)					
Liabilities					
Short term loans	65,286,094	-	-	-	65,286,094
Accounts payable	69,877,584	-	-	-	69,877,584
Accrued expenses and other liabilities	39,509,387	-	-	-	39,509,387
Long term loans	35,221,643	173,583,312	348,688,696	-	557,493,651
Employees' terminal benefits	-	-	-	4,660,599	4,660,599
	209,894,708	173,583,312	348,688,696	4,660,599	736,827,315

The Company has unutilised bank facilities of SR 459 million (2011: SR 422 million) as at balance sheet date to meet liquidity requirements.

19. RISK MANAGEMENT (Continued)

Liquidity risk (continued)

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

	Less than 12 months	*More than 12 months*	*30 June 2012 SR (Audited)*	*Less than 12 months*	*More than 12 months*	*30 June 2011 SR (Unaudited)*
Cash and cash equivalents	93,841,062	-	**93,841,062**	31,339,599	-	31,339,599
Net investment in finance leases	681,605,223	654,090,379	**1,335,695,602**	549,952,699	483,270,849	1,033,223,548
Advances, prepayment and other receivables	8,880,612	-	**8,880,612**	6,405,686	-	6,405,686
Fixed assets	-	1,787,029	**1,787,029**	-	1,612,552	1,612,552
Total assets	784,326,897	655,877,408	**1,440,204,305**	587,697,984	484,883,401	1,072,581,385
Short term loans and current maturity of long term loans	616,986,355	-	**616,986,355**	260,485,665	-	260,485,665
Accounts payable	164,903,361	-	**164,903,361**	69,877,584	-	69,877,584
Accrued expenses and other liabilities	40,261,178	-	**40,261,178**	39,509,387	-	39,509,387
Long term loans	-	187,653,685	**187,653,685**	-	332,292,505	332,292,505
Employees' terminal benefits	-	5,915,989	**5,915,989**	-	4,660,599	4,660,599
Fair value of derivatives	-	133,710	**133,710**	-	154,346	154,346
Total liabilities	822,150,894	193,703,384	**1,015,854,278**	369,872,636	337,107,450	706,980,086
Net	(37,823,997)	462,174,024	**424,350,027**	217,825,348	147,775,951	365,601,299

20. RELATED PARTY TRANSACTIONS

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

	30 June 2012 (Audited)	*30 June 2011 (Unaudited)*
Balances with shareholders:		
Advances, prepayments and other receivables	**1,884,858**	1,495,863
Short term loan	**23,000,000**	-
Accrued special commission	**51,733**	-
Transactions with shareholders:		
Rent and premises related expenses	**1,065,000**	968,096
Special commission expenses on overdrafts and bank charges	**469,263**	23,246
Finance lease syndication	**32,715,681**	-
Balance with an affiliate:		
Rent and premises related advance on subletting to an associate	**1,034,694**	875,511
Transactions with an affiliate:		
Rent and premises related income on subletting to an associate	636,735	583,674

21. COMPARATIVE FIGURES

Prior period figures have been reclassified wherever necessary to conform to current period presentation.

22. BOARD OF DIRECTORS' APPROVAL

These interim financial statements were approved by the Board of Directors on 11 Ramadan 1433H (corresponding to 30 July 2012).

SAUDI ORIX LEASING COMPANY
(Closed Joint Stock Company)

FINANCIAL STATEMENTS

31 DECEMBER 2011

ERNST & YOUNG

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AUDITORS' REPORT TO THE SHAREHOLDERS OF SAUDI ORIX LEASING COMPANY

Scope of Audit

We have audited the accompanying balance sheet of Saudi ORIX Leasing Company, a Closed Saudi Joint Stock Company (the "Company") as of 31 December 2011 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended . These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified Opinion

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

i) present fairly, in all material respects, the financial position of the Company as of 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young

Rashid S. AlRashoud
Certified Public Accountant
Registration No. 366

Riyadh: 8 Rabi Al Awal 1433H
(31 January 2012)

BALANCE SHEET
As at 31 December 2011

	Notes	*2011* SR	*2010* SR
ASSETS			
Cash and cash equivalents	3	70,928,689	41,001,445
Net investment in finance leases	4	1,159,109,794	945,562,306
Advances, prepayments and other receivables	5	5,917,380	3,765,380
Fixed assets	6	1,795,252	1,731,769
TOTAL ASSETS		1,237,751,115	992,060,900
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Short term loans	7	99,996,871	-
Current maturity of long term loans	7	214,264,565	122,929,629
Accounts payable	8	62,125,800	52,406,547
Accrued expenses and other liabilities	9	32,749,773	38,310,147
Long term loans	10	422,442,742	427,709,194
Employees' terminal benefits		5,332,046	4,132,418
Fair value of derivatives	11	77,490	287,450
TOTAL LIABILITIES		836,989,287	645,775,385
SHAREHOLDERS' EQUITY			
Share capital	12	300,000,000	250,000,000
Statutory reserve	12	27,546,717	20,170,219
Reserve for the issue of bonus shares	22	40,000,000	50,000,000
Retained earnings		10,792,601	7,652,746
Cash flow hedge reserve	11	(77,490)	(287,450)
Proposed dividend		22,500,000	18,750,000
TOTAL SHAREHOLDERS' EQUITY		400,761,828	346,285,515
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,237,751,115	992,060,900

The attached notes 1 to 22 form an integral part of these financial statements.

STATEMENT OF INCOME

For the year ended 31 December 2011

	Notes	2011 SR	2010 SR
INCOME			
Lease finance income		133,098,464	118,200,998
Investment income		-	3,688
Total lease finance and investment income		133,098,464	118,204,686
Less:			
Special commission expense including amortisation of transaction cost		15,972,773	25,059,280
Net lease finance and investment income		117,125,691	93,145,406
Add:			
Other operating income		828,517	1,329,829
TOTAL OPERATING INCOME		117,954,208	94,475,235
OPERATING EXPENSES			
Salaries and employee related expenses		30,538,341	26,709,293
Rent and premises related expenses, net		996,240	1,258,509
Depreciation	6	657,603	691,628
General and administrative expenses	13	2,768,912	2,839,739
Provision for lease losses		9,228,132	9,044,796
TOTAL OPERATING EXPENSES		44,189,228	40,543,965
NET INCOME FOR THE YEAR		73,764,980	53,931,270
Basic and diluted earnings per share	15	2.46	1.80

The attached notes 1 to 22 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	2011 *SR*	*2010* *SR*
Cash flows from operating activities:		
Net income for the year	73,764,980	53,931,270
Adjustments to reconcile net income to net cash from operating activities:		
Amortisation of transaction cost	282,002	170,643
Depreciation	657,603	691,628
Provision for lease losses	9,228,132	9,044,796
Gain on disposal of fixed assets	(14,759)	(7,200)
Operating cash flows before changes in operating assets and liabilities	83,917,958	63,831,137
Changes in operating assets and liabilities		
Net investment in finance leases	(222,775,620)	(6,085,554)
Advances, prepayments and other receivables	(2,152,000)	(620,225)
Accounts payable	9,719,253	28,975,413
Accrued expenses and other liabilities	(6,780,387)	4,525,223
Employees' terminal benefits	1,199,628	866,166
Net cash (used in) from operating activities	(136,871,168)	91,492,160
Cash flows from investing activities:		
Purchase of fixed assets	(825,217)	(293,916)
Proceeds from disposal of fixed assets	118,890	7,200
Net cash used in investing activities	(706,327)	(286,716)
Cash flows from financing activities:		
Proceeds from loans	539,584,859	150,000,000
Repayment of loans	(353,780,321)	(201,800,052)
Transaction cost paid	(21,185)	(973,651)
Income tax paid on behalf of non-Saudi shareholders	(4,663,154)	(3,747,784)
Zakat paid on behalf of Saudi shareholders	(915,561)	(510,811)
Dividends paid, net	(12,699,899)	(9,542,515)
Net cash from (used in) financing activities	167,504,739	(66,574,813)
Net increase in cash and cash equivalents	29,927,244	24,630,631
Cash and cash equivalents at the beginning of the year	41,001,445	16,370,814
Cash and cash equivalents at the end of the year	70,928,689	41,001,445
Supplemental disclosures		
Special commission paid	25,120,939	21,116,429
Non-cash activity during the year		
Zakat accrued on behalf of Saudi shareholders	1,096,133	1,065,252
Income tax accrued on behalf of non-Saudi shareholders	5,702,595	4,330,298

The attached notes 1 to 22 form an integral part of these financial statements.

Saudi ORIX Leasing Company
(Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2011

	Share capital SR	*Statutory reserve* SR	*Reserve for the issue of bonus shares* SR	*Retained earnings* SR	*Cash flow hedge reserve* SR	*Proposed dividend* SR	*Total* SR
Balance as at 1 January 2010	250,000,000	14,777,092	-	24,052,668	(604,481)	18,750,000	306,975,279
Net income for the year	-	-	-	53,931,270	-	-	53,931,270
Transfer to statutory reserve	-	5,393,127	-	(5,393,127)	-	-	-
Net change in fair value	-	-	-	-	317,031	-	317,031
Net dividends paid	-	-	-	-	-	(9,542,515)	(9,542,515)
Zakat accrued (note 14)	-	-	-	(1,065,252)	-	-	(1,065,252)
Zakat recovered	-	-	-	1,692,747	-	(1,692,747)	-
Income tax accrued (note 14)	-	-	-	(4,330,298)	-	-	(4,330,298)
Income tax recovered	-	-	-	7,514,738	-	(7,514,738)	-
Transfer to reserve for the issue of bonus shares	-	-	50,000,000	(50,000,000)	-	-	-
Proposed dividend	-	-	-	(18,750,000)	-	18,750,000	-
Balance as at 31 December 2010	250,000,000	20,170,219	50,000,000	7,652,746	(287,450)	18,750,000	346,285,515
Net income for the year	-	-	-	73,764,980	-	-	73,764,980
Transfer to statutory reserve	-	7,376,498	-	(7,376,498)	-	-	-
Net change in fair value	-	-	-	-	209,960	-	209,960
Net dividends paid	-	-	-	-	-	(12,699,899)	(12,699,899)
Issue of bonus shares (note 12)	50,000,000	-	(50,000,000)	-	-	-	-
Zakat accrued (note 14)				(1,096,133)	-	-	(1,096,133)
Zakat recovered	-	-	-	915,561	-	(915,561)	-
Income tax accrued (note 14)	-	-	-	(5,702,595)	-	-	(5,702,595)
Income tax recovered	-	-	-	5,134,540	-	(5,134,540)	-
Transfer to reserve for the issue of bonus shares	-	-	40,000,000	(40,000,000)	-	-	-
Proposed dividend	-	-	-	(22,500,000)	-	22,500,000	-
Balance as at 31 December 2011	**300,000,000**	**27,546,717**	**40,000,000**	**10,792,601**	**(77,490)**	**22,500,000**	**400,761,828**

Analysis of retained earnings	*Saudi Shareholders* SR	*Non-Saudi shareholders* SR	*Total* SR
Balance as at 1 January 2010	19,328,893	4,723,775	24,052,668
Net income for the year	35,702,501	18,228,769	53,931,270
Transfer to the statutory reserve	(3,570,250)	(1,822,877)	(5,393,127)
Zakat/income tax recovered	1,692,747	7,514,738	9,207,485
Zakat/income tax provision	(1,065,252)	(4,330,298)	(5,395,550)
Transfer to reserve for the issue of bonus shares	(33,100,000)	(16,900,000)	(50,000,000)
Proposed dividend	(12,412,500)	(6,337,500)	(18,750,000)
Balance as at 31 December 2010	6,576,139	1,076,607	7,652,746
Net income for the year	48,832,417	24,932,563	73,764,980
Transfer to the statutory reserve	(4,883,242)	(2,493,256)	(7,376,498)
Zakat/income tax recovered	915,561	5,134,540	6,050,101
Zakat/income tax provision	(1,096,133)	(5,702,595)	(6,798,728)
Transfer to reserve for the issue of bonus shares	(26,480,000)	(13,520,000)	(40,000,000)
Proposed dividend	(14,895,000)	(7,605,000)	(22,500,000)
Balance as at 31 December 2011	**8,969,742**	**1,822,859**	**10,792,601**

The attached notes 1 to 22 form an integral part of these financial statements.

1. THE COMPANY AND NATURE OF OPERATIONS

Saudi ORIX Leasing Company (the "Company") is a closed joint stock company established under the regulations for companies in the Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010163957 issued in Riyadh on 21 Shawal 1421H (corresponding to 16 January 2001), and non-industrial license number 99 dated 27 Safar 1421H (corresponding to 31 May 2000) issued by the Ministry of Commerce and Industry, through its four branches (2010: three branches) in the Kingdom of Saudi Arabia. The Company had 123 (2010: 118) employees as at 31 December 2011.

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

Saudi ORIX Leasing Company
343, Al Ma'ather Street
Head Office
P.O. Box 22890, Riyadh 11416
Kingdom of Saudi Arabia

The objective of the Company is to provide lease financing for movable and immovable assets.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation
These financial statements, expressed in Saudi Riyals are prepared in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia. Generally accepted accounting standards in Saudi Arabia comprise accounting standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). For matters where there is no guidance in the SOCPA accounting standards, the relevant International Financial Reporting Standard ("IFRS") is adopted.

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

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for lease losses

The Company reviews its lease receivables on a monthly basis to assess whether specific provisions for impairment should be recorded in the statement of 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.

In addition to specific provisions against individually significant lease receivables, the Company also makes a collective impairment provision against lease receivables which although not specifically identified as requiring a specific provision have a greater risk of default than when originally granted. This collective provision is based on any deterioration in the internal grade of the exposure since it was granted. The amount of the provision is based on the historical loss pattern for lease receivables within each grade and is adjusted to reflect current economic changes.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Leasehold improvements	10
Motor vehicles	5
Office furniture and fixtures	5
Information technology equipment	4

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure for repair and maintenance are charged to income. Betterments that increase the value or materially extend the life of the related assets are capitalised.

Short-term and long-term loans

These loans include special commission bearing borrowings which are recognised initially at cost, less attributable transaction costs, if any. Subsequent to initial recognition, special commission bearing borrowings are stated at amortised cost with any difference between cost and redemption value recognised in the statement of income over the period of the borrowings on an effective special commission rate basis.

Impairment and uncollectibility of assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' terminal benefits
Employees' terminal benefits are payable as a lump sum to all employees employed under the terms and conditions of Saudi Labor and Workmen Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia.

Derivative financial instruments and hedge accounting
The Company uses derivative financial instruments to hedge its exposure to interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative

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

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

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

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

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

Foreign currency translation
Transactions in foreign currencies are translated at the rates of exchange prevailing at the dates of the respective transactions. At balance sheet date, monetary assets and liabilities in foreign currencies are translated to Saudi Arabian Riyals at the prevailing exchange rates. Gains and losses resulting from changes in exchange rates are recognised as income or expense.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments
Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at the balance sheet date.

Offsetting
Financial assets and liabilities are offset and are reported net in the balance sheet when there is a legally enforceable right to set off the recognised amounts and when the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. CASH AND CASH EQUIVALENTS

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

	2011 *SR*	*2010* *SR*
Cash at banks	70,913,689	40,986,508
Cash in hand	15,000	14,937
	70,928,689	41,001,445

4. NET INVESTMENT IN FINANCE LEASES

	2011 *SR*	*2010* *SR*
Lease receivables		
- Performing	1,575,442,154	1,277,979,091
- Non-performing	14,220,639	9,446,031
Residual value	544,565,995	469,618,659
Gross investment in finance leases	2,134,228,788	1,757,043,781
Non-refundable security deposits	(543,789,780)	(468,815,602)
Prepaid lease rentals	(194,170,108)	(159,440,618)
Unearned lease finance income	(170,173,467)	(125,467,748)
Net investment in finance leases	1,226,095,433	1,003,319,813
Provision for lease losses	(66,985,639)	(57,757,507)
	1,159,109,794	945,562,306

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

	2011 *SR*		*2010* *SR*	
	MLPs	*PV of MLPs*	*MLPs*	*PV of MLPs*
Not later than one year	953,383,903	641,950,239	833,402,928	577,201,944
Later than one year but not later than five years	1,174,012,193	583,814,718	922,196,983	425,940,746
Later than five years	6,832,692	330,476	1,443,870	177,123
	2,134,228,788	1,226,095,433	1,757,043,781	1,003,319,813

4. NET INVESTMENT IN FINANCE LEASES (Continued)

Economic sector risk concentrations for amounts due under net investment in finance leases are as follows:

	Performing lease contracts, net	*Non-performing lease contracts, net*	*Allowance for lease losses*	*Investment in finance leases, net*
As at 31 December 2011				
Manufacturing	419,202,651	9,015,519	(4,250,919)	423,967,251
Construction & contracting	313,290,370	996,540	(199,383)	314,087,527
Services	296,273,372	703,428	(703,428)	296,273,372
Trading	176,205,705	67,038	(67,038)	176,205,705
Others	10,009,873	330,937	(330,937)	10,009,873
Collective impairment provision	-	-	(61,433,934)	(61,433,934)
	1,214,981,971	**11,113,462**	**(66,985,639)**	**1,159,109,794**
As at 31 December 2010				
Manufacturing	357,152,034	6,086,051	(5,697,617)	357,540,468
Construction & contracting	247,069,391	58,707	(58,707)	247,069,391
Services	258,372,502	829,434	(727,314)	258,474,622
Trading	120,083,869	67,038	(67,038)	120,083,869
Others	13,256,273	344,514	(339,479)	13,261,308
Collective impairment provision	-	-	(50,867,352)	(50,867,352)
	995,934,069	7,385,744	(57,757,507)	945,562,306

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

	2011 SR	*2010 SR*
Balance at the beginning of the year	**57,757,507**	48,712,711
Provision for the year	**9,228,132**	9,044,796
	66,985,639	57,757,507

5. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2011 SR	*2010 SR*
Loans and advances to staff	**1,976,011**	1,673,404
Advance against letter of credit (note 16)	**1,382,643**	-
Other receivables from lessees	**681,000**	723,052
Prepaid rent	**656,218**	793,875
Prepaid insurance	**311,072**	80,036
Receivable from insurance companies	**178,032**	-
Prepaid visa cost	**91,212**	60,291
Others	**641,192**	434,722
	5,917,380	3,765,380

6. FIXED ASSETS

	Leasehold improvements SR	*Office furniture and fixtures* SR	*Motor vehicles* SR	*Information technology equipment* SR	***2011 Total*** **SR**	*2010 Total* SR
Cost:						
Balance at the beginning of the year	901,540	1,668,423	662,150	2,539,901	**5,772,014**	5,512,098
Additions during the year	41,051	95,967	94,600	593,599	**825,217**	293,916
Disposals	(62,606)	(64,317)	-	(89,284)	**(216,207)**	(34,000)
Balance at the end of the year	879,985	1,700,073	756,750	3,044,216	**6,381,024**	5,772,014
Depreciation:						
Balance at the beginning of the year	316,107	1,394,643	335,958	1,993,537	**4,040,245**	3,382,617
Charge for the year	86,423	146,735	126,855	297,590	**657,603**	691,628
Disposals	(17,738)	(34,815)	-	(59,523)	**(112,076)**	(34,000)
Balance at the end of the year	384,792	1,506,563	462,813	2,231,604	**4,585,772**	4,040,245
Net book value:						
At 31 December 2011	**495,193**	**193,510**	**293,937**	**812,612**	**1,795,252**	
At 31 December 2010	585,433	273,780	326,192	546,364		1,731,769

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

	2011 SR	2010 SR
Short term loans	99,996,871	-
Current maturity of long term loans (note 10)	214,264,565	122,929,629

These short term loans carry special commission rate equal to SIBOR plus bank margin. These facilities are secured by the assignment of lease contract receivables. Under the terms of the arrangements, the Company has to adhere to certain financial and non-financial covenants.

The Company has an overdraft facility of SR 40 million from a local bank, which has not been drawn down as of the balance sheet date. The facility carries special commission rate equal to SIBOR plus bank margin payable on monthly basis. The facility is secured by the assignment of lease contract receivables.

8. ACCOUNTS PAYABLE

These represent payables against purchase of assets leased by the Company.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	2011 SR	2010 SR
Proposed lease related payables (a)	12,714,608	12,706,037
Zakat & income tax accrued on behalf of shareholders	4,165,099	2,945,086
Accrued special commission expense	3,646,970	13,077,138
Insurance premium payable	2,258,933	1,557,040
Insurance claims to be settled	1,161,471	1,059,538
Salaries and employee related expenses	5,538,567	4,550,145
Legal and professional charges	675,533	506,268
Others	2,588,592	1,908,895
	32,749,773	38,310,147

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

10. LONG TERM LOANS

	2011 SR	2010 SR
Long term loans (a)	541,182,316	444,749,647
International Finance Corporation loan (b)	96,249,942	106,874,944
Less: unamortised transaction costs	(724,951)	(985,768)
	636,707,307	550,638,823
Less: current maturity (note 7)	(214,264,565)	(122,929,629)
	422,442,742	427,709,194

10. LONG TERM LOANS (Continued)

a. These long-term loans carry special commission rate equal to SIBOR plus bank margins or fixed rates payable on quarterly basis and semi-annual basis. These facilities are secured by the assignment of lease contract receivables. Under the terms of the arrangements, the Company has to adhere to certain financial and non-financial covenants.

b. The Company has facilities from International Finance Corporation ("IFC"), amounting to USD 37 million (SR 138.75 million). These loans are repayable over a period of 7 to 7.5 years from the date of first drawdown (i.e. 10 July 2006) in equal half yearly installments with a grace period of 24 months. These facilities carry fixed special commission rates and are secured against assignment of lease contract receivables. Residual front end fee of SR 555,585 (2010: SR 783,841) has been netted off from the loan amount and is amortised over the term of loan on an effective yield basis.

11. DERIVATIVES

As at 31 December 2011, the Company held Interest Rate Swaps ("IRS") of a notional value of around SR 121 million (2010: SR 34 million), in order to reduce its exposure to interest rate risks against long term loans.

Fair value of cash flows hedge of SR 77,490 (2010: SR 287,450) represents the negative mark to market values of the interest rate swaps as of 31 December 2011. The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the statement of income when the hedged transaction impacts the income or loss.

12. SHARE CAPITAL AND STATUTORY RESERVE

In 2011, the Company increased its paid up share capital to SR 300 million by issuing bonus shares amounting to SR 50 million through the capitalisation of retained earnings. The pattern of shareholding as of 31 December 2011 is as follows:

Shareholders	*Ownership percentage*	*Number of shares*	*Share capital (Amount in SR)*
The Saudi Investment Bank ("SAIB")	37.995%	11,398,500	113,985,000
Trade Development & Investment Group Limited	32.000%	9,600,000	96,000,000
Mr. Musaed Bin Mohammad Bin AbdulAziz Al Mineefi	0.005%	1,500	15,000
ORIX Corporation – Japan	27.500%	8,250,000	82,500,000
ORIX Leasing Pakistan Limited – Pakistan	2.500%	750,000	7,500,000
		30,000,000	**300,000,000**

The portion of Saudi to non-Saudi shareholders (including non-Saudi shareholders in SAIB) is 66.2% to 33.8% (2010: 66.2% to 33.8%).

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year is transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the capital. The reserve is not available for distribution.

13. GENERAL AND ADMINISTRATIVE EXPENSES

	2011 *SR*	*2010* *SR*
License, legal and professional charges	1,207,917	1,235,182
Communication expenses	604,446	555,280
Office repair and maintenance cost	210,022	255,506
Printing and stationery	201,096	183,315
Travelling and transportation	177,584	123,817
Advertising and promotion expenses	157,695	218,587
Insurance of own assets	49,659	53,757
Others	160,493	214,295
	2,768,912	2,839,739

14. ZAKAT AND INCOME TAX

a) *Zakat*

Charge for the year

The zakat charge of SR 1,096,133 (2010: SR 1,065,252) for the year consists of the current year provision and is based on the following:

	2011 *SR*	*2010* *SR*
Shareholders' equity at beginning	333,585,616	297,432,764
Opening provisions and adjustments	3,985,819	2,958,210
Borrowings, net	415,073,742	441,220,157
Book value of long term assets	(1,940,377)	(1,927,461)
Net investment in finance leases	(1,159,109,794)	(945,562,306)
	(408,404,994)	(205,878,636)
Adjusted net income for the year	75,276,382	55,320,909
Zakat base	(333,128,612)	(150,557,727)

As the zakat base for the years 2011 and 2010 are negative, zakat is calculated based on adjusted net income for the years ended 31 December, attributable to the ultimate Saudi shareholders as follows:

	2011 *SR*	*2010* *SR*
Adjusted net income attributable to Saudi shareholders	49,832,964	36,622,442
Zakat @ 2.5%	1,245,824	915,561
Zakat under protest (see note (c) below)	(149,691)	149,691
Net amount charged to retained earnings	1,096,133	1,065,252

14. ZAKAT AND INCOME TAX (Continued)

Movement in provision

	2011 *SR*	*2010* *SR*
Balance as at 1 January	**1,529,662**	1,380,574
Provided during the year	**1,096,133**	1,065,252
Payment during the year	**(915,561)**	(510,811)
Refundable amount adjusted against Zakat payment	**-**	(405,353)
Balance as at 31 December	**1,710,234**	1,529,662

b) Income tax

Charge for the year

Income tax liability for the years 2011 and 2010 has been calculated based on adjusted net income for the year ended 31 December as follows:

	2011 *SR*	*2010* *SR*
Adjusted net income attributable to Non-Saudi shareholders	**25,393,866**	18,594,349
Income tax payable @ 20%	**5,078,773**	3,718,869
Income tax under protest (see note (c) below)	**623,822**	611,429
	5,702,595	4,330,298

Movement in provision

	2011 *SR*	*2010* *SR*
Balance as at 1 January	**1,415,424**	427,557
Provided during the year	**5,702,595**	4,330,298
Payment during the year	**(4,663,154)**	(3,747,784)
Refundable amount adjusted against Zakat payment	**-**	405,353
Balance as at 31 December	**2,454,865**	1,415,424

14. ZAKAT AND INCOME TAX (Continued)

c) *Status of assessments*

Zakat assessment for the period ended 31 December 2001 and for the years ended 31 December 2002, 31 December 2003 and 31 December 2004 have been assessed at SR 5.5 million in excess of the provision made in these financial statements. This is principally due to the fact that the Department of Zakat and Income Tax ("DZIT") has not allowed a deduction from zakat base of the net investment in finance leases.

The Company has appealed against this treatment but its appeal was disallowed early in 2010 by the Preliminary Appeal Committee. The Company has filed an appeal to the Higher Appeal Committee. There is a potential risk of an additional claim of SR 83.5 million, if the same principle were to be applied for all subsequent periods up to 31 December 2011.

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

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

Further, the Company has protested the disallowances of the provision for lease losses in the adjusted profits and has filed an appeal against the same. For the year ended 31 December 2011, in order to avoid any penalty due to late payments, the Company has in addition to the zakat and income tax liability indicated in the returns, provided /paid income tax of SR 623,822 (2010: SR 611,429) and reversed excess provision for zakat of SR 149,691 provided in 2010. These payments / provisions have been made "under protest" on behalf of the shareholders.

15. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the net income for the year attributable to the shareholders by 30 million shares.

The basic and diluted earnings per share for the comparative year has been retrospectively adjusted to reflect the effect of the capital increase.

16. COMMITTMENTS

	2011 *SR*	*2010* *SR*
Finance lease contracts not yet executed	**175,111,281**	114,784,926
Operating lease commitments for office premises	**462,500**	2,291,998
Letter of credit	**75,211,264**	-
Bank guarantees issued on behalf of the Company	**6,708,811**	1,708,811

Increase in outstanding letter of credit is attributed to a new syndicated lease arrangement that the Company is in the process of finalising as of the year end. The gross lease amount of the syndicated arrangement is expected to be SR 75 million. Advances against letter of credit as disclosed in note 5 represents related bank charges, which will be adjusted against the lease.

17. SEGMENT REPORTING

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

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

18. CAPITAL ADEQUACY

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

	31 December 2011		*31 December 2010*	
	Total capital ratio %	*Tier I capital ratio %*	*Total capital ratio %*	*Tier I capital ratio %*
Capital adequacy ratios	29.93%	28.68%	31.68%	30.43%

19. RISK MANAGEMENT

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

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

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

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

For details of the composition of the investment in finance leases portfolio refer to note 4.

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

Special commission rate risk
Special commission rate risk is the uncertainty of future earnings resulting from fluctuations in special commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to special commission rate adjustment within a specified period. The most important source of such rate risk is the Company's borrowings, and investment and leasing activities, where fluctuations in special commission rates, if any, are reflected in the results of operations.

19. RISK MANAGEMENT (Continued)

Special commission rate gap is a common measure of rate risk. A positive gap occurs when more assets than liabilities are subject to rate changes during a prescribed period of time. A negative gap occurs when liabilities exceed assets subject to rate changes during a prescribed period of time.

The effective special commission rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate of a fixed rate instrument carried at amortised cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

The Company's exposure to the risk of changes in special commission rates, before the effect of any hedging, relates primarily to the Company's long term debt obligations with floating special commission rate amounting to SR 359 million (2010: 223 million) having an overall effective commission rate of 3.33% (2010: 4.30%).

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

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

31 December 2011	*Within 3 months SR*	*3 to 12 months SR*	*1 to 5 years SR*	*No fixed maturity SR*	*Total SR*
Liabilities					
Short term loans	100,469,628	-	-	-	100,469,628
Accounts payable	62,125,800	-	-	-	62,125,800
Accrued expenses and other liabilities	32,749,773	-	-	-	32,749,773
Long term loans	139,234,324	89,371,760	437,453,583		666,059,667
Employees' terminal benefits	-	-	-	5,332,046	5,332,046
	334,579,525	**89,371,760**	**437,453,583**	**5,332,046**	**866,736,914**
31 December 2010					
Liabilities					
Short term loans	-	-	-	-	-
Accounts payable	52,406,547	-	-	-	52,406,547
Accrued expenses and other liabilities	38,310,147	-	-	-	38,310,147
Long term loans	40,154,849	102,646,575	467,280,556	-	610,081,980
Employees' terminal benefits	-	-	-	4,132,418	4,132,418
	130,871,543	102,646,575	467,280,556	4,132,418	704,931,092

The Company has unutilised bank facilities of SR 250 million (2010: SR 474 million) as at balance sheet date to meet liquidity requirements.

19. RISK MANAGEMENT (Continued)

Liquidity risk (continued)

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

	Less than 12 months	*More than 12 months*	*2011 SR*	*Less than 12 months*	*More than 12 months*	*2010 SR*
Cash and cash equivalents	70,928,689	-	**70,928,689**	41,001,445	-	41,001,445
Net investment in finance leases	606,878,380	552,231,414	**1,159,109,794**	577,201,944	368,360,362	945,562,306
Advances, prepayment and other receivables	5,917,380	-	**5,917,380**	3,765,380	-	3,765,380
Fixed assets	-	1,795,252	**1,795,252**	-	1,731,769	1,731,769
Total assets	683,724,449	554,026,666	**1,237,751,115**	621,968,769	370,092,131	992,060,900
Short term loans and current maturity of long term loans	314,261,436	-	**314,261,436**	122,929,629	-	122,929,629
Accounts payable	62,125,800	-	**62,125,800**	52,406,547	-	52,406,547
Accrued expenses and other liabilities	32,749,773	-	**32,749,773**	38,310,147	-	38,310,147
Long term loans	-	422,442,742	**422,442,742**	-	427,709,194	427,709,194
Employees' terminal benefits	-	5,332,046	**5,332,046**	-	4,132,418	4,132,418
Fair value of derivatives	-	77,490	**77,490**	-	287,450	287,450
Total liabilities	409,137,009	427,852,278	**836,989,287**	213,646,323	432,129,062	645,775,385
Net	274,587,440	126,174,388	**400,761,828**	408,322,446	(62,036,931)	346,285,515

20. RELATED PARTY TRANSACTIONS

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

	2011 SR	*2010 SR*
Balances:		
Advances, prepayments and other receivables	**496,800**	462,500
Directors' award payable	**1,350,000**	1,350,000
Transactions:		
Rent and premises related expenses	**1,880,000**	1,897,500
Rent and premises related income on subletting to an affiliate	**1,167,348**	1,167,348
Special commission expenses on overdrafts and bank charges	**64,928**	504,045

21. COMPARATIVE FIGURES

Prior year figures have been reclassified wherever necessary to conform to current year presentation.

22. BOARD OF DIRECTORS' APPROVAL

The Board of Directors has proposed cash dividend of SR 0.75 per share (2010: SR 0.75 per share) for the year ended 31 December 2011 and a bonus issue of 4,000,000 shares (2010: 5,000,000 shares) at nominal value of SR 10 each which are subject to the approval of shareholders.

These financial statements were approved by the Board of Directors on 8 Rabi Al Awal 1433H (corresponding to 31 January, 2012).

SAUDI ORIX LEASING COMPANY
(Closed Joint Stock Company)

FINANCIAL STATEMENTS

31 DECEMBER 2010

ERNST & YOUNG

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AUDITORS' REPORT TO THE SHAREHOLDERS OF SAUDI ORIX LEASING COMPANY

Scope of Audit

We have audited the accompanying balance sheet of Saudi ORIX Leasing Company, a Closed Saudi Joint Stock Company ("the Company") as of 31 December 2010 and the related statements of income, cash flows and changes in shareholders' equity for the year ended 31 December 2010. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified Opinion

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

i) present fairly, in all material respects, the financial position of the Company as of 31 December 2010 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354

Riyadh: 27 Saffar 1432H
(31 January 2011)

BALANCE SHEET
As at 31 December 2010

	Notes	*2010 SR*	*2009 SR*
ASSETS			
Cash and cash equivalents	3	**41,001,445**	16,370,814
Net investment in finance leases	4	**945,562,306**	948,521,548
Advances, prepayments and other receivables	5	**3,765,380**	3,145,155
Fixed assets	6	**1,731,769**	2,129,481
TOTAL ASSETS		**992,060,900**	970,166,998
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Short term loans and current maturity of long term loans	7	**122,929,629**	162,103,986
Accounts payable	8	**52,406,547**	23,431,134
Accrued expenses and other liabilities	9	**38,310,147**	32,647,969
Long term loans	10	**427,709,194**	441,137,897
Employees' terminal benefits		**4,132,418**	3,266,252
Fair value of derivatives	11	**287,450**	604,481
TOTAL LIABILITIES		**645,775,385**	663,191,719
SHAREHOLDERS' EQUITY			
Share capital	12	**250,000,000**	250,000,000
Statutory reserve	12	**20,170,219**	14,777,092
Reserve for the issue of bonus shares	21	**50,000,000**	-
Retained earnings		**7,652,746**	24,052,668
Other reserve	11	**(287,450)**	(604,481)
Proposed dividend		**18,750,000**	18,750,000
TOTAL SHAREHOLDERS' EQUITY		**346,285,515**	306,975,279
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**992,060,900**	970,166,998

The attached notes 1 to 21 form an integral part of these financial statements.

STATEMENT OF INCOME

For the year ended 31 December 2010

	Notes	*2010* *SR*	*2009* *SR*
INCOME			
Lease finance income		**118,200,998**	115,401,665
Investment income		**3,688**	15,236
Total lease finance and investment income		**118,204,686**	115,416,901
Less:			
Special commission expense including amortisation of transaction cost		**25,059,280**	32,704,942
Net lease finance and investment income		**93,145,406**	82,711,959
Add:			
Other operating income		**1,329,829**	1,935,564
TOTAL OPERATING INCOME		**94,475,235**	84,647,523
OPERATING EXPENSES			
Salaries and employee related expenses		**26,709,293**	25,305,933
Rent and premises related expenses, net		**1,258,509**	842,765
Depreciation		**691,628**	726,085
General and administrative expenses	13	**2,839,739**	2,888,805
Provision for lease losses		**9,044,796**	11,997,329
TOTAL OPERATING EXPENSES		**40,543,965**	41,760,917
NET INCOME FOR THE YEAR		**53,931,270**	42,886,606
Weighted average number of issued and paid-up shares		**25,000,000**	25,000,000
Basic and diluted earnings per share	15	**2.16**	1.72

The attached notes 1 to 21 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2010

	2010 *SR*	*2009* *SR*
Cash flows from operating activities:		
Net income for the year	**53,931,270**	42,886,606
Adjustments to reconcile net income to net cash from operating activities:		
Amortisation of transaction cost	**170,643**	126,234
Depreciation	**691,628**	726,085
Provision for lease losses	**9,044,796**	11,997,329
Gain on disposal of fixed assets	**(7,200)**	(62,124)
Operating cash flows before changes in operating assets and liabilities	**63,831,137**	55,674,130
Changes in operating assets and liabilities		
Net investment in finance leases	**(6,085,554)**	136,806,990
Advances, prepayments and other receivables	**(620,225)**	650,557
Accounts payable	**28,975,413**	(5,765,232)
Accrued expenses and other liabilities	**4,525,223**	7,531,002
Employees' terminal benefits	**866,166**	901,405
Net cash from operating activities	**91,492,160**	195,798,852
Cash flows from investing activities:		
Purchase of fixed assets	**(293,916)**	(534,640)
Proceeds from disposal of fixed assets	**7,200**	149,100
Net cash used in investing activities	**(286,716)**	(385,540)
Cash flows from financing activities:		
Proceeds from loans	**150,000,000**	264,797,284
Repayment of loans	**(201,800,052)**	(485,107,057)
Transaction cost paid	**(973,651)**	-
Income tax paid on behalf of non-Saudi shareholders	**(3,747,784)**	(6,326,154)
Zakat paid on behalf of Saudi shareholders	**(510,811)**	(773,528)
Dividends paid, net	**(9,542,515)**	-
Net cash used in financing activities	**(66,574,813)**	(227,409,455)
Net increase (decrease) in cash and cash equivalents	**24,630,631**	(31,996,143)
Cash and cash equivalents at the beginning of the year	**16,370,814**	48,366,957
Cash and cash equivalents at the end of the year	**41,001,445**	16,370,814
Supplemental disclosures		
Special commission paid	**21,116,429**	33,132,801
Non-cash activity during the year		
Zakat accrued on behalf of Saudi shareholders	**1,065,252**	1,127,527
Income tax accrued on behalf of non-Saudi shareholders	**4,330,298**	5,151,710

The attached notes 1 to 21 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2010

	Share capital SR	*Statutory reserve SR*	*Reserve for the issue of bonus shares SR*	*Retained earnings SR*	*Other reserve SR*	*Proposed dividend SR*	*Total SR*
Balance as at 1 January 2009	200,000,000	10,488,431	50,000,000	10,483,960	-	-	270,972,391
Net income for the year	-	-	-	42,886,606	-	-	42,886,606
Transfer to statutory reserve	-	4,288,661	-	(4,288,661)	-	-	-
Net change in fair value	-	-	-	-	(604,481)	-	(604,481)
Issue of bonus shares (note 12)	50,000,000	-	(50,000,000)	-	-	-	-
Zakat accrued (note 14)	-	-	-	(1,127,527)	-	-	(1,127,527)
Income tax accrued (note 14)	-	-	-	(5,151,710)	-	-	(5,151,710)
Proposed dividend	-	-	-	(18,750,000)	-	18,750,000	-
Balance as at 31 December 2009	250,000,000	14,777,092	-	24,052,668	(604,481)	18,750,000	306,975,279
Net income for the year	-	-	-	53,931,270	-	-	53,931,270
Transfer to statutory reserve	-	5,393,127	-	(5,393,127)	-	-	-
Net change in fair value	-	-	-	-	317,031	-	317,031
Net dividends paid	-	-	-	-	-	(9,542,515)	(9,542,515)
Zakat accrued (note 14)	-	-	-	(1,065,252)	-	-	(1,065,252)
Zakat recovered	-	-	-	1,692,747	-	(1,692,747)	-
Income tax accrued (note 14)	-	-	-	(4,330,298)	-	-	(4,330,298)
Income tax recovered	-	-	-	7,514,738	-	(7,514,738)	-
Transfer to reserve for the issue of bonus shares	-	-	50,000,000	(50,000,000)	-	-	-
Proposed dividend	-	-	-	(18,750,000)	-	18,750,000	-
Balance as at 31 December 2010	**250,000,000**	**20,170,219**	**50,000,000**	**7,652,746**	**(287,450)**	**18,750,000**	**346,285,515**

Analysis of retained earnings	*Saudi shareholders*	*Non-Saudi shareholders*	*Total*
Balance at 1 January 2009	7,669,222	2,814,738	10,483,960
Net income for the year, after transfer to the statutory reserve	25,199,698	13,398,247	38,597,945
Zakat/income tax provision	(1,127,527)	(5,151,710)	(6,279,237)
Proposed dividend	(12,412,500)	(6,337,500)	(18,750,000)
Balance as at 31 December 2009	19,328,893	4,723,775	24,052,668
Net income for the year, after transfer to the statutory reserve	32,132,251	16,405,892	48,538,143
Zakat/income tax recovered	1,692,747	7,514,738	9,207,485
Zakat/income tax provision	(1,065,252)	(4,330,298)	(5,395,550)
Transfer to reserve for the issue of bonus shares	(33,100,000)	(16,900,000)	(50,000,000)
Proposed dividend	(12,412,500)	(6,337,500)	(18,750,000)
Balance as at 31 December 2010	**6,576,139**	**1,076,607**	**7,652,746**

The attached notes 1 to 21 form an integral part of these financial statements.

1. THE COMPANY AND NATURE OF OPERATIONS

Saudi ORIX Leasing Company (the "Company") is a closed joint stock company established under the regulations for companies in the Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010163957 issued in Riyadh on 21 Shawal 1421H (corresponding to 16 January 2001), and non-industrial license number 99 dated 27 Safar 1421H (corresponding to 31 May 2000) issued by the Ministry of Commerce and Industry, through its three branches in the Kingdom of Saudi Arabia. The Company had 118 (2009: 120) employees as at 31 December 2010.

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

Saudi ORIX Leasing Company
343, Al Ma'ather Street
Head Office
P.O. Box 22890, Riyadh 11416
Kingdom of Saudi Arabia

The objective of the Company is to provide lease financing for movable and immovable assets.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation
These financial statements, expressed in Saudi Riyals are prepared in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia. Generally accepted accounting standards in Saudi Arabia comprise accounting standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). For matters where there is no guidance in the SOCPA accounting standards, the relevant International Financial Reporting Standard ("IFRS") is adopted.

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

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for lease losses
The Company reviews its lease receivables on a monthly basis to assess whether specific provisions for impairment should be recorded in the statement of 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.

In addition to specific provisions against individually significant lease receivables, the Company also makes a collective impairment provision against lease receivables which although not specifically identified as requiring a specific provision have a greater risk of default than when originally granted. This collective provision is based on any deterioration in the internal grade of the exposure since it was granted. The amount of the provision is based on the historical loss pattern for lease receivables within each grade and is adjusted to reflect current economic changes.

Fixed assets
Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Leasehold improvements	10
Motor vehicles	5
Office furniture and fixtures	5
Information technology equipment	4

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure for repair and maintenance are charged to income. Betterments that increase the value or materially extend the life of the related assets are capitalised.

Short-term and long-term loans
These loans include special commission bearing borrowings which are recognised initially at cost, less attributable transaction costs, if any. Subsequent to initial recognition, special commission bearing borrowings are stated at amortised cost with any difference between cost and redemption value recognised in the statement of income over the period of the borrowings on an effective special commission rate basis.

Impairment and uncollectibility of assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' terminal benefits
Employees' terminal benefits are payable as a lump sum to all employees employed under the terms and conditions of Saudi Labor and Workmen Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia.

Derivative financial instruments and hedge accounting
The Company uses derivative financial instruments to hedge its exposure to interest rate. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative

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

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

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

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

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

Foreign currency translation
Transactions in foreign currencies are translated at the rates of exchange prevailing at the dates of the respective transactions. At balance sheet date, monetary assets and liabilities in foreign currencies are translated to Saudi Arabian Riyals at the prevailing exchange rates. Gains and losses resulting from changes in exchange rates are recognised as income or expense.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments
Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at the balance sheet date.

Offsetting
Financial assets and liabilities are offset and are reported net in the balance sheet when there is a legally enforceable right to set off the recognised amounts and when the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. CASH AND CASH EQUIVALENTS

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

	2010 *SR*	*2009* *SR*
Cash at banks	**40,986,508**	16,362,843
Cash in hand	**14,937**	7,971
	41,001,445	16,370,814

4. NET INVESTMENT IN FINANCE LEASES

	2010 *SR*	*2009* *SR*
Lease receivables		
- Performing	**1,277,979,091**	1,234,129,747
- Non-performing	**9,446,031**	18,286,895
Residual value	**469,618,659**	363,222,093
Gross investment in finance leases	**1,757,043,781**	1,615,638,735
Non-refundable security deposits	**(468,815,602)**	(359,982,130)
Prepaid lease rentals	**(159,440,618)**	(141,915,585)
Unearned lease finance income	**(125,467,748)**	(116,506,761)
Net investment in finance leases	**1,003,319,813**	997,234,259
Provision for lease losses	**(57,757,507)**	(48,712,711)
	945,562,306	948,521,548

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

	2010 *SR*		*2009* *SR*	
	MLPs	*PV of MLPs*	*MLPs*	*PV of MLPs*
Not later than one year	**833,402,928**	**577,201,944**	774,172,625	606,325,977
Later than one year but not later than five years	**923,640,853**	**426,117,869**	841,466,110	390,908,282
	1,757,043,781	**1,003,319,813**	1,615,638,735	997,234,259

4. NET INVESTMENT IN FINANCE LEASES (Continued)

Economic sector risk concentrations for amounts due under net investment in finance leases are as follows:

	Performing lease contracts, net	*Non-performing lease contracts, net*	*Allowance for lease losses*	*Investment in finance leases, net*
As at 31 December 2010				
Construction & contracting	247,069,391	58,707	(58,707)	247,069,391
Services	258,372,502	829,434	(727,314)	258,474,622
Manufacturing	357,152,034	6,086,051	(5,697,617)	357,540,468
Trading	120,083,869	67,038	(67,038)	120,083,869
Others	13,256,273	344,514	(339,479)	13,261,308
Collective impairment provision	-	-	(50,867,352)	(50,867,352)
	995,934,069	**7,385,744**	**(57,757,507)**	**945,562,306**
As at 31 December 2009				
Construction & contracting	206,325,881	392,677	(287,858)	206,430,700
Services	282,840,392	666,651	(666,651)	282,840,392
Manufacturing	332,859,798	14,597,918	(6,386,436)	341,071,280
Trading	140,504,981	67,059	(67,059)	140,504,981
Others	18,716,273	262,629	(193,649)	18,785,253
Collective impairment provision	-	-	(41,111,058)	(41,111,058)
	981,247,325	15,986,934	(48,712,711)	948,521,548

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

	2010 SR	*2009 SR*
Balance at the beginning of the year	**48,712,711**	36,715,382
Provision for the year	**9,044,796**	11,997,329
	57,757,507	48,712,711

5. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2010 SR	*2009 SR*
Loans and advances to staff	**1,673,404**	1,582,199
Prepaid rent	**793,875**	758,919
Other receivables from lessees	**723,052**	203,586
Prepaid insurance	**80,036**	84,673
Prepaid visa cost	**60,291**	44,428
Receivable from suppliers and insurance companies	**-**	87,689
Others	**434,722**	383,661
	3,765,380	3,145,155

6. FIXED ASSETS

	Leasehold improvements SR	*Office furniture and fixtures SR*	*Motor vehicles SR*	*Information technology equipment SR*	***2010 Total SR***	*2009 Total SR*
Cost:						
Balance at the beginning of the year	898,000	1,664,263	696,150	2,253,685	**5,512,098**	5,247,209
Additions during the year	3,540	4,160	-	286,216	**293,916**	534,640
Disposals	-	-	(34,000)	-	**(34,000)**	(269,751)
Balance at the end of the year	901,540	1,668,423	662,150	2,539,901	**5,772,014**	5,512,098
Depreciation:						
Balance at the beginning of the year	226,128	1,217,664	243,934	1,694,891	**3,382,617**	2,839,308
Charge for the year	89,979	176,979	126,024	298,646	**691,628**	726,085
Disposals	-	-	(34,000)	-	**(34,000)**	(182,776)
Balance at the end of the year	316,107	1,394,643	335,958	1,993,537	**4,040,245**	3,382,617
Net book value:						
At 31 December 2010	**585,433**	**273,780**	**326,192**	**546,364**	**1,731,769**	
At 31 December 2009	671,872	446,599	452,216	558,794		2,129,481

7. SHORT TERM LOANS

	2010 SR	2009 SR
Short term loans	-	48,000,000
Current maturity of long term loans (note 10)	**122,929,629**	114,103,986
	122,929,629	162,103,986

The Company has an overdraft facility of SR 40 million from a local bank, which has not been drawn down as of the balance sheet date. The facility carries special commission rate equal to SIBOR plus bank margin payable on monthly basis. The facility is secured by assignment of lease contract receivables.

8. ACCOUNTS PAYABLE

These represent payables against purchase of assets leased by the Company.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	2010 SR	2009 SR
Accrued special commission expense	**13,077,138**	9,134,287
Proposed lease related payables (a)	**12,706,037**	14,018,052
Zakat & income tax accrued on behalf of shareholders	**2,945,086**	1,808,131
Insurance premium payable	**1,557,040**	1,760,932
Insurance claims to be settled	**1,059,538**	577,204
Salaries and employee related expenses	**4,550,145**	3,768,776
Legal and professional charges	**506,268**	350,000
Others	**1,908,895**	1,230,587
	38,310,147	32,647,969

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

10. LONG TERM LOANS

	2010 SR	2009 SR
Long term loans (a)	**444,749,647**	512,924,695
International Finance Corporation loan (b)	**106,874,944**	42,499,947
Less: unamortised transaction costs	**(985,768)**	(182,759)
	550,638,823	555,241,883
Less: current maturity (note 7)	**(122,929,629)**	(114,103,986)
	427,709,194	441,137,897

10. LONG TERM LOANS (Continued)

a. These long-term loans carry special commission rate equal to SIBOR plus bank margins or fixed rates payable on quarterly basis and semi-annual basis. These facilities are secured by the assignment of lease contract receivables. Under the terms of the arrangements, the Company has to adhere to certain financial and non-financial covenants.

b. The Company has facilities from International Finance Corporation ("IFC"), amounting to USD 37 million (SR 138.75 million). These loans are repayable over a period of 7 to 7.5 years from the date of first drawdown in equal half yearly installments with a grace period of 24 months. These facilities carry fixed special commission rates and are secured against assignment of lease contract receivables. Front end fee of SR 783,841 (2009: SR 182,759) has been netted off from the loan amount and is amortised over the term of loan on an effective yield basis.

11. DERIVATIVES

As at 31 December 2010, the Company held Interest Rate Swaps ("IRS") of a notional value of around SR 34 million (2009: SR 57 million), in order to reduce its exposure to interest rate risks against long term loans.

Fair value of cash flows hedge of SR 287,450 (2009: SR 604,481) represents the negative mark to market values of the interest rate swaps as of 31 December 2010. The cash flow hedge reserve represents the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the statement of income when the hedged transaction impacts the income or loss.

12. SHARE CAPITAL AND STATUTORY RESERVE

In 2009, the Company increased its paid up share capital to SR 250 million by issuing bonus shares amounting to SR 50 million through the capitalisation of retained earnings. Further, the par value of a share has been split to SR 10 (2008: SR 50). The pattern of shareholding as of 31 December 2010 is as follows:

Shareholders	*Ownership percentage*	*Number of shares*	*Share capital (Amount in SR)*
Saudi:			
The Saudi Investment Bank	37.995%	9,498,750	94,987,500
Trade Development & Investment Group Limited	32.000%	8,000,000	80,000,000
Mr. Musaed Bin Mohammad Bin AbdulAziz Al Mineefi	0.005%	1,250	12,500
Non-Saudi:			
ORIX Corporation – Japan	27.500%	6,875,000	68,750,000
ORIX Leasing Pakistan Limited – Pakistan	2.500%	625,000	6,250,000
		25,000,000	**250,000,000**

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year is transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the capital. The reserve is not available for distribution.

13. GENERAL AND ADMINISTRATIVE EXPENSES

	2010 *SR*	*2009* *SR*
License, legal and professional charges	**1,170,182**	1,280,342
Communication expenses	**555,280**	679,275
Office repair and maintenance cost	**255,506**	274,227
Printing and stationery	**183,315**	198,029
Travelling and transportation	**123,817**	92,891
Advertising and promotion expenses	**218,587**	85,177
Insurance of own assets	**53,757**	62,905
Others	**279,295**	215,959
	2,839,739	2,888,805

14. ZAKAT AND INCOME TAX

a) *Zakat*

Charge for the year

The zakat charge of SR 1,065,252 (2009: SR 1,127,527) for the year consists of the current year provision and is based on the following:

	2010 *SR*	*2009* *SR*
Shareholders' equity at beginning	**288,829,760**	270,972,391
Opening provisions and adjustments	**2,958,210**	2,215,374
Borrowings, net	**550,638,823**	603,241,883
Book value of long term assets	**(2,746,059)**	(2,973,692)
Net investment in finance leases	**(945,562,306)**	(948,521,548)
	(105,881,572)	(75,065,592)
Adjusted net income for the year	**55,320,909**	44,133,609
Zakat base	**(50,560,663)**	(30,931,983)

As the zakat base for the years 2010 and 2009 are negative, zakat is calculated based on adjusted net income for the years ended 31 December, attributable to the ultimate Saudi shareholders as follows:

	2010 *SR*	*2009* *SR*
Adjusted net income attributable to Saudi shareholders	**36,622,442**	28,813,806
Zakat @ 2.5%	**915,561**	720,345
Zakat under protest (see note (c) below)	**149,691**	195,820
	1,065,252	916,165

14. ZAKAT AND INCOME TAX (Continued)

Movement in provision

	2010 *SR*	*2009* *SR*
Balance as at 1 January	**1,380,574**	1,026,575
Provided during the year	**1,065,252**	916,165
Provided for 2008 under protest (see note (c) below)	**-**	211,362
Payment during the year	**(510,811)**	(773,528)
Refundable amount adjusted against Zakat payment	**(405,353)**	-
Balance as at 31 December	**1,529,662**	1,380,574

b) Income tax

Charge for the year

Income tax liability for the years 2010 and 2009 has been calculated based on adjusted net income for the year ended 31 December as follows:

	2010 *SR*	*2009* *SR*
Adjusted net income attributable to Non-Saudi shareholders	**18,594,349**	15,267,918
Income tax payable @ 20%	**3,718,869**	3,053,584
Income tax under protest (see note (c) below)	**611,429**	832,910
	4,330,298	3,886,494

Movement in provision

	2010 *SR*	*2009* *SR*
Balance as at 1 January	**427,557**	1,602,001
Provided during the year	**4,330,298**	3,886,494
Provided for 2008 under protest	**-**	1,265,216
Payment during the year	**(3,747,784)**	(6,326,154)
Refundable amount adjusted against Zakat payment	**405,353**	-
Balance as at 31 December	**1,415,424**	427,557

14. ZAKAT AND INCOME TAX (Continued)

c) *Status of assessments*

Zakat assessment for the period ended 31 December 2001 and for the years ended 31 December 2002, 31 December 2003 and 31 December 2004 have been assessed at SR 5.5 million in excess of the provision made in these financial statements. This is principally due to the fact that the Department of Zakat and Income Tax ("DZIT") has not allowed a deduction from zakat base of the net investment in finance leases.

The Company has appealed against this treatment but its appeal was disallowed early in 2010 by the Preliminary Appeal Committee. The Company has filed an appeal to the Higher Appeal Committee. There is a potential risk of an additional claim of SR 65 million, if the same principle were to be applied for all subsequent periods up to 31 December 2010.

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

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

Further, the Company has protested the disallowances of the provision for lease losses in the adjusted profits and has filed an appeal against the same. For the year ended 31 December 2010, in order to avoid any penalty due to late payments, the Company has in addition to the zakat and income tax liability indicated in the returns, effected payments of income tax of SR 611,429 (2009: SR 832,910) and provided for zakat of SR 149,691 (2009: SR 195,820). These payments / provisions have been made "under protest" on behalf of the shareholders.

15. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the net income for the year by the weighted average number of issued and paid-up ordinary shares outstanding during the year.

16. COMMITTMENTS

	2010 *SR*	*2009* *SR*
Finance lease contracts not yet executed	**114,784,926**	43,692,316
Operating lease commitments for office premises	**2,291,998**	4,162,498
Capital commitment for IT equipment	-	13,250

17. SEGMENT REPORTING

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

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

18. RISK MANAGEMENT

Credit risk

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

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

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

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

For details of the composition of the investment in finance leases portfolio refer to note 4.

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

Special commission rate risk

Special commission rate risk is the uncertainty of future earnings resulting from fluctuations in special commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to special commission rate adjustment within a specified period. The most important source of such rate risk is the Company's borrowings, and investment and leasing activities, where fluctuations in special commission rates, if any, are reflected in the results of operations.

Special commission rate gap is a common measure of rate risk. A positive gap occurs when more assets than liabilities are subject to rate changes during a prescribed period of time. A negative gap occurs when liabilities exceed assets subject to rate changes during a prescribed period of time.

The effective special commission rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate of a fixed rate instrument carried at amortised cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

The Company's exposure to the risk of changes in special commission rates, before the effect of any hedging, relates primarily to the Company's long term debt obligations with floating special commission rate amounting to SR 223 million (2009: 248 million) having an overall effective commission rate of 4.30% (2009: 4.67%).

18. RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

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

31 December 2010	*Within 3 months*	*3 to 12 months*	*1 to 5 years*	*No fixed maturity*	*Total*
Liabilities					
Short-term loans	-	-	-	-	-
Accounts payable	52,406,547	-	-	-	52,406,547
Accrued expenses and other liabilities	38,310,147	-	-	-	38,310,147
Long-term loans	40,154,849	102,646,575	467,280,556	-	610,081,980
Employees' end of service benefits	-	-	-	4,132,418	4,132,418
	130,871,543	**102,646,575**	**467,280,556**	**4,132,418**	**704,931,092**
31 December 2009					
Liabilities					
Short-term loans	48,179,975	-	-	-	48,179,975
Accounts payable	23,431,134	-	-	-	23,431,134
Accrued expenses and other liabilities	32,647,969	-	-	-	32,647,969
Long-term loans	36,832,912	98,835,725	484,110,629	-	619,779,266
Employees' end of service benefits	-	-	-	3,266,252	3,266,252
	141,091,990	98,835,725	484,110,629	3,266,252	727,304,596

The Company has unutilized bank facilities of SR 474 million (2009: SR 540 million) as at balance sheet date to meet liquidity requirements.

18. RISK MANAGEMENT (Continued)

Liquidity risk (continued)

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

	Less than 12 months	*More than 12 months*	*2010 SR*	*Less than 12 months*	*More than 12 months*	*2009 SR*
Cash and cash equivalents	41,001,445	-	**41,001,445**	16,370,814	-	16,370,814
Net investment in finance leases	577,201,944	368,360,362	**945,562,306**	606,325,977	342,195,571	948,521,548
Advances, prepayment and other receivables	3,765,380	-	**3,765,380**	3,145,155	-	3,145,155
Fixed assets	-	1,731,769	**1,731,769**	-	2,129,481	2,129,481
Total assets	621,968,769	370,092,131	**992,060,900**	625,841,946	344,325,052	970,166,998
Short term loans and current maturity of long term loans	122,929,629	-	**122,929,629**	162,103,986	-	162,103,986
Accounts payable	52,406,547	-	**52,406,547**	23,431,134	-	23,431,134
Accrued expenses and other liabilities	38,310,147	-	**38,310,147**	32,647,969	-	32,647,969
Long term loans	-	427,709,194	**427,709,194**	-	441,137,897	441,137,897
Employees' terminal benefits	-	4,132,418	**4,132,418**	-	3,266,252	3,266,252
Fair value of derivatives	-	287,450	**287,450**	-	604,481	604,481
Total liabilities	213,646,323	432,129,062	**645,775,385**	218,183,089	445,008,630	663,191,719
Net	408,322,446	(62,036,931)	**346,285,515**	407,658,857	(100,683,578)	306,975,279

19. RELATED PARTY TRANSACTIONS

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

	2010 SR	*2009 SR*
Balances:		
Advances, prepayments and other receivables	**462,500**	475,997
Short-term loan	-	38,000,000
Accrued special commission	-	456,000
Directors' award payable	**1,350,000**	1,125,000
Transactions:		
Rent and premises related expenses	**1,897,500**	1,890,994
Special commission expenses and amortised transaction costs on short-term loan and long-term loan	**504,045**	2,116,420

20. COMPARATIVE FIGURES

Prior year figures have been reclassified wherever necessary to conform to current year presentation.

21. BOARD OF DIRECTORS' APPROVAL

The Board of Directors has proposed cash dividend of SR. 0.75 per share (2009: SR 0.75 per share) for the year ended 31 December 2010 and a bonus issue of 5,000,000 shares (2009: Nil) at nominal value of SR 10 each which are subject to the approval of shareholders.

These financial statements were approved by the Board of Directors on 31 January 2011.

SAUDI ORIX LEASING COMPANY
(A Closed Joint Stock Company)
Financial Statements
31 December 2009
Together with the
Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To: **The Shareholders**
Saudi ORIX Leasing Company
Riyadh, Kingdom of Saudi Arabia

Report on the Financial Statements

We have audited the accompanying financial statements of Saudi ORIX Leasing Company - a Closed Joint Stock Company ("the Company") which comprise the balance sheet as at 31 December 2009 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and the attached notes (1) through (22) which form an integral part of the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article 123 of the Regulations for Companies and the Company's Articles of Association. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditor's Responsibility

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

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

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

KPMG

Audit Opinion

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

1) present fairly, in all material respects, the financial position of the Company as at 31 December 2009, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and

2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

For KPMG Al Fozan & Al Sadhan

Tareq A. Al Sadhan
License No. 352

C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Al Sadhan

Date: 17 Safar 1431H
Corresponding to: 1 February 2010

Saudi ORIX Leasing Company
(A Closed Joint Stock Company)
BALANCE SHEET
As at 31 December 2009
(Saudi Riyals)

	Note	2009	2008
Assets			
Cash in hand and at banks	*3*	**16,370,814**	48,366,957
Net investment in finance leases	*4*	**948,521,548**	1,097,325,867
Advances, prepayments and other receivables	*5*	**3,145,155**	3,795,712
Fixed assets	*6*	**2,129,481**	2,407,901
		970,166,998	1,151,896,437
Liabilities			
Short-term loans	*7*	**162,103,986**	329,244,907
Accounts payable	*8*	**23,431,134**	29,196,366
Accrued expenses and other liabilities	*9*	**32,647,969**	25,937,413
Long-term loans	*10*	**441,137,897**	494,180,513
Employees' end of service benefits		**3,266,252**	2,364,847
		662,587,238	880,924,046
Shareholders' equity			
Share capital	*11*	**250,000,000**	200,000,000
Statutory reserve	*12*	**14,777,092**	10,488,431
Reserve for the issue of bonus shares	*11*	**--**	50,000,000
Retained earnings		**24,052,668**	10,483,960
Proposed dividend	*22*	**18,750,000**	--
		307,579,760	270,972,391
		970,166,998	1,151,896,437

The accompanying notes (1) through (22) form an integral part of these financial statements.

Saudi ORIX Leasing Company
(A Closed Joint Stock Company)
STATEMENT OF INCOME
For the year ended 31 December 2009
(Saudi Riyals)

	Note	2009	2008
Income			
Lease finance income		**115,401,665**	117,461,656
Special commission income		**15,236**	21,691
		115,416,901	117,483,347
Less:			
Special commission expense and amortized transaction costs		**32,704,942**	38,160,817
Net lease finance and special commission income		**82,711,959**	79,322,530
Add:			
Other operating income		**1,935,564**	776,561
Total operating income		**84,647,523**	80,099,091
Less:			
Operating expenses			
Salaries and employee related expenses		**25,305,933**	23,147,333
Rent and premises related expenses		**842,765**	920,746
Depreciation		**726,085**	680,858
Other general and administrative expenses	*13*	**2,888,805**	2,591,988
Provision for lease losses	*4.3*	**11,997,329**	14,780,550
Total operating expenses		**41,760,917**	42,121,475
Net income for the year		**42,886,606**	37,977,616
Weighted average number of issued and paid-up shares		**25,000,000**	25,000,000
Basic and diluted earnings per share	*16*	**1.72**	1.52

The accompanying notes (1) through (22) form an integral part of these financial statements.

Saudi ORIX Leasing Company

(A Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2009

(Saudi Riyals)

	Note	Share Capital	Statutory Reserve	Reserve for the issue of bonus shares	Retained Earnings	Proposed Dividend	Total
Balance as at 1 January 2008		200,000,000	6,690,669	–	27,495,697	10,000,000	244,186,366
Net income for the year		–	–	–	37,977,616	–	37,977,616
Transfer to statutory reserve		–	3,797,762	–	(3,797,762)	–	–
Zakat accrued	*14*	–	–	–	(566,470)	–	(566,470)
Zakat recovered		–	–	–	393,263	–	393,263
Income tax accrued	*14*	–	–	–	(3,344,646)	–	(3,344,646)
Income tax recovered		–	–	–	2,326,262	–	2,326,262
Dividend paid		–	–	–	–	(10,000,000)	(10,000,000)
Transfer to reserve for the issue of bonus shares		–	–	50,000,000	(50,000,000)	–	–
Balance as at 31 December 2008		200,000,000	10,488,431	50,000,000	10,483,960	–	270,972,391
Net income for the year		–	–	–	42,886,606	–	42,886,606
Transfer to statutory reserve		–	4,288,661	–	(4,288,661)	–	–
Zakat accrued	*14*	–	–	–	(1,127,527)	–	(1,127,527)
Income tax accrued	*14*	–	–	–	(5,151,710)	–	(5,151,710)
Issue of bonus shares		50,000,000	–	(50,000,000)	–	–	–
Proposed dividend		–	–	–	(18,750,000)	18,750,000	–
Balance as at 31 December 2009		250,000,000	14,777,092	–	24,052,668	18,750,000	307,579,760

Analysis of retained earnings

	Saudi Shareholders	Non-Saudi Shareholders	Total
Balance as at 1 January 2008	16,891,552	10,604,145	27,495,697
Zakat and income tax recovered from shareholders' dividend	393,263	2,326,262	2,719,525
Net income for 2008, after transfer to statutory reserve	19,550,877	14,628,977	34,179,854
Zakat and income tax provision (Note 14)	(566,470)	(3,344,646)	(3,911,116)
Transfer to reserve for the issue of bonus shares	(28,600,000)	(21,400,000)	(50,000,000)
Balance as at 31 December 2008	7,669,222	2,814,738	10,483,960
Net income for 2009, after transfer to statutory reserve	25,199,698	13,398,247	38,597,945
Zakat and income tax provision (Note 14)	(1,127,527)	(5,151,710)	(6,279,237)
Proposed dividend	(12,412,500)	(6,337,500)	(18,750,000)
Balance as at 31 December 2009	19,328,893	4,723,775	24,052,668

The accompanying notes (1) through (22) form an integral part of these financial statements.

Saudi ORIX Leasing Company
(A Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2009
(Saudi Riyals)

	Note	2009	2008
Cash flows from operating activities			
Net income for the year		**42,886,606**	37,977,616
Adjustments to reconcile net income to net cash used in operating activities			
Depreciation of fixed assets		**726,085**	680,858
Special commission expense and amortized transaction costs		**32,704,942**	38,160,817
Provision for lease losses		**11,997,329**	14,780,550
Gain on disposal of fixed assets		**(62,124)**	(7,567)
Changes in operating assets and liabilities			
Decrease / (increase) in net investment in finance leases		**136,806,990**	(212,274,815)
Decrease in advances, prepayments and other receivables		**650,557**	444,268
Decrease in accounts payable		**(5,765,232)**	(41,275,549)
Increase in accrued expenses and other liabilities		**8,085,093**	1,834,971
Increase in employees' end of service benefits		**901,405**	834,479
Net cash generated from / (used in) operating activities		**228,931,651**	(158,844,372)
Cash flows from investing activities			
Proceeds from disposal of fixed assets		**149,099**	24,000
Purchase of fixed assets		**(534,640)**	(1,096,745)
Net cash used in investing activities		**(385,541)**	(1,072,745)
Cash flows from financing activities			
(Repayments) / proceeds of / from loans		**(220,309,770)**	243,911,349
Special commission paid		**(33,132,801)**	(36,748,905)
Zakat paid on behalf of Saudi shareholders		**(773,528)**	(393,263)
Income tax paid on behalf of Non-Saudi shareholders		**(6,326,154)**	(4,070,960)
Net dividend paid		**--**	(7,280,475)
Net cash (used in) / provided by financing activities		**(260,542,253)**	195,417,746
Net (decrease) / increase in cash and cash equivalents		**(31,996,143)**	35,500,629
Cash and cash equivalents at the beginning of the year		**48,366,957**	12,866,328
Cash and cash equivalents at the end of the year	*17*	**16,370,814**	48,366,957
Supplemental disclosure of non-cash activity			
Zakat accrued on behalf of Saudi shareholders	*14*	**1,127,527**	566,470
Income tax accrued on behalf of Non- Saudi shareholders	*14*	**5,151,710**	3,344,646

The accompanying notes (1) through (22) form an integral part of these financial statements.

1. THE COMPANY AND NATURE OF OPERATIONS

Saudi ORIX Leasing Company (the "Company") is a closed joint stock company established under the regulations for companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010163957 issued in Riyadh on 21 Shawal, 1421H (corresponding to 16 January 2001), and non-industrial license No. 99 dated 27 Safar 1421H (corresponding to 31 May 2000) issued by the Ministry of Industry and Electricity, through its three branches in the Kingdom of Saudi Arabia employing 120 (2008: 130) employees as at 31 December 2009.

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

Saudi ORIX Leasing Company
343, Al Ma'ather Street
Head Office
P.O. Box 22890, Riyadh 11416
Kingdom of Saudi Arabia

The objective of the Company is to provide all types of lease financing for movable and immovable assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) *Basis of presentation*

The financial statements, expressed in Saudi Riyals, are prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia i.e. Saudi Organization for Certified Public Accounts (SOCPA).

The accompanying financial statements have been prepared under the historical cost convention using the accrual basis of accounting and the going concern assumption except for the measurement of net investment in finance leases and borrowings at amortised cost.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the 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 include cash in hand and at banks including bank overdrafts and investments with original maturities of less than three months from the contract date.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) *Net investment in finance leases*

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

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.

d) *Provision for lease losses*

The Company reviews its problem lease 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.

In addition to specific provisions against individually significant lease receivables, the Company also makes a collective impairment provision against lease receivables which although not specifically identified as requiring a specific provision have a greater risk of default than when originally granted. This collective provision is based on any deterioration in the internal grade of the exposure since it was granted. The amount of the provision is based on the historical loss pattern for lease receivables within each grade and is adjusted to reflect current economic changes.

e) *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Motor vehicles	5 years
Leasehold improvements	10 years
Office furniture and fixtures	5 years
Information technology equipment	4 years

f) *Short-term and long-term loans*

These loans include special commission bearing borrowings which are recognized initially at cost, less attributable transaction costs, if any. Subsequent to initial recognition, special commission bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the statement of income over the period of the borrowings on an effective special commission rate basis.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Impairment of assets

Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is higher of an asset's net selling price and value in use. For purposes of assessing impairment, assets are grouped at the lowest level generating separately identifiable cash flows.

h) Employees' end of service benefits

Employees' end of service benefits are payable as a lump sum to all employees employed under the terms and conditions of Saudi Labor and Workmen Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia.

i) Zakat and income tax

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

j) Foreign currency translation

Transactions in foreign currencies are translated at the rates of exchange prevailing at the dates of the respective transactions. At balance sheet date, monetary assets and liabilities in foreign currencies are translated to Saudi Arabian Riyals at the prevailing exchange rates. Gains and losses resulting from changes in exchange rates are recognized as income or expense.

k) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at balance sheet date.

l) Offsetting

Financial assets and liabilities are offset and are reported net in the balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(Saudi Riyals)

3. CASH IN HAND AND AT BANKS

	2009	2008
Cash in hand	7,971	17,180
Cash at banks	16,362,843	48,349,777
	16,370,814	48,366,957

4. NET INVESTMENT IN FINANCE LEASES

		2009	2008
Lease receivables			
- performing		1,234,129,747	1,393,112,325
- non-performing		18,286,895	14,402,954
Residual value		363,222,093	295,936,684
Gross investment in finance leases	*4.1*	1,615,638,735	1,703,451,963
Non-refundable security deposits		(359,982,130)	(292,344,503)
Prepaid lease rentals		(141,915,585)	(136,364,166)
Unearned lease finance income		(116,506,761)	(140,702,045)
Net investment in finance leases	*4.1*	997,234,259	1,134,041,249
Provision for lease losses	*4.3*	(48,712,711)	(36,715,382)
		948,521,548	1,097,325,867

4.1 These lease receivables are assigned as security against the loans facilities. The maturity of the gross investment in finance leases [Minimum Lease Payments (MLPs)] and net investment in finance leases (Present value of MLPs) is as follows:

	2009		2008	
	MLPs	PV of MLPs	MLPs	PV of MLPs
Not later than one year	774,172,625	606,325,977	795,834,919	595,824,980
Later than one year but not later than five years	841,466,110	390,908,282	907,617,044	538,216,269
	1,615,638,735	997,234,259	1,703,451,963	1,134,041,249

(Saudi Riyals)

4.2 Economic sector risk concentrations for amounts due under net investment in finance leases are as follows:

	Performing lease contracts, net	Non-performing lease contracts, net	Allowance for lease losses	Investment in finance leases, net
As at 31 December 2009				
Services – Construction & contracting	206,325,881	392,677	(287,858)	206,430,700
Services – Miscellaneous	282,840,392	666,651	(666,651)	282,840,392
Manufacturing	332,859,798	14,597,918	(6,386,436)	341,071,280
Trading	140,504,981	67,059	(67,059)	140,504,981
Others	18,716,273	262,629	(193,649)	18,785,253
Collective impairment provision	--	--	(41,111,058)	(41,111,058)
	981,247,325	**15,986,934**	**(48,712,711)**	**948,521,548**
As at 31 December 2008				
Services – Construction & contracting	225,163,053	108,208	(115,479)	225,155,782
Services – Miscellaneous	313,931,933	703,428	(702,532)	313,932,829
Manufacturing	449,253,069	7,364,123	(1,893,381)	454,723,811
Trading	117,698,492	2,678,970	(2,566,479)	117,810,983
Others	16,758,621	381,352	(306,701)	16,833,272
Collective impairment provision	--	--	(31,130,810)	(31,130,810)
	1,122,805,168	**11,236,081**	**(36,715,382)**	**1,097,325,867**

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

	2009	2008
Balance at the beginning of the year	**36,715,382**	21,934,832
Provision for the year	**11,997,329**	14,780,550
	48,712,711	36,715,382

5. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2009	2008
Loans and advances to staff	**1,582,199**	1,136,228
Prepaid rent	**758,919**	850,230
Prepaid insurance	**84,673**	121,137
Receivable against Human Resource Fund	--	696,812
Prepaid visa cost	**44,428**	121,659
Receivable from suppliers and insurance companies	**87,689**	347,101
Others	**587,247**	522,545
	3,145,155	3,795,712

(Saudi Riyals)

6. FIXED ASSETS

Movement in the fixed assets during the year ended 31 December 2009 is as follows:

	2009					2008
	Leasehold Improvements	**Furniture and fixtures**	**Motor vehicles**	**Information technology equipment**	**Total**	Total
Cost:						
Balance at the beginning of the year	898,000	1,574,294	640,300	2,134,615	**5,247,209**	4,214,464
Additions	--	89,969	310,000	134,671	**534,640**	1,096,745
Disposals	--	--	(254,150)	(15,601)	**(269,751)**	(64,000)
Balance at the end of the year	898,000	1,664,263	696,150	2,253,685	**5,512,098**	5,247,209
Accumulated Depreciation:						
Balance at the beginning of the year	136,330	1,011,441	299,866	1,391,671	**2,839,308**	2,206,017
Charge for the year	89,798	206,223	126,844	303,220	**726,085**	680,858
Disposals	--	--	(182,776)	--	**(182,776)**	(47,567)
Balance at the end of the year	226,128	1,217,664	243,934	1,694,891	**3,382,617**	2,839,308
Net book value at 31 December 2009	**671,872**	**446,599**	**452,216**	**558,794**	**2,129,481**	
Net book value at 31 December 2008	*761,670*	*562,853*	*340,434*	*742,944*		*2,407,901*

(Saudi Riyals)

7. SHORT-TERM LOANS

	Note	2009	2008
Short-term loans	*7.1*	**48,000,000**	154,991,820
Current maturity of long-term loans	*10*	**114,103,986**	174,253,087
		162,103,986	329,244,907

7.1 These represent short-term loans drawn down against credit lines of SR 90 million (2008: SR 200 million) from local banks. The facilities carry special commission rate equal to Saudi Inter-bank Offer Rate ("SIBOR") plus bank margin and are repayable within 12 months from balance sheet date (refer note 18 (c)). These facilities are secured by assignment of lease receivables.

7.2 The Company has overdraft facility of SR 40 million from a local bank. The facility carries special commission rate equal to SIBOR plus bank margin payable on monthly basis. The facility is secured by assignment of lease receivables.

8. ACCOUNTS PAYABLE

These represent payables against supply of assets leased by the Company.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2009	2008
Accrued expenses			
Salaries and employee related expenses		**3,768,776**	3,889,264
Accrued special commission		**9,134,287**	9,688,379
Legal and professional charges		**350,000**	162,199
Insurance		**1,760,932**	1,904,670
Other liabilities			
Proposed lease related payables	*9.1*	**14,018,052**	5,783,195
Zakat & income tax accrued on behalf of shareholders	*14*	**1,808,131**	2,628,576
Others		**1,807,791**	1,881,130
		32,647,969	25,937,413

9.1 These include advance security deposits, prepaid rents and front-end fees of lease contracts not executed as at balance sheet date, and other payables for lessees.

(Saudi Riyals)

10. LONG-TERM LOANS

	Note	2009	2008
Long-term loans	*10.1*	512,924,695	615,617,643
International Finance Corporation (IFC) loan	*10.2*	42,499,947	53,124,949
Less: Unamortized transaction costs		(182,759)	(308,992)
		555,241,883	668,433,600
Less: Current maturity	*7*	(114,103,986)	(174,253,087)
		441,137,897	494,180,513

10.1 These long-term loans carry special commission rate equal to SIBOR plus bank margins payable on quarterly basis and semi-annual basis. These facilities are secured by the assignment of lease receivables. Under the terms of the arrangements the Company has to adhere to some financial and non-financial covenants. These facilities represent the following:

Limit expiry	2009	2008
March 2009	--	50,000,000
May 2011	--	200,000,000
September 2011	--	100,000,000
October 2011	--	90,000,000
March 2012	400,000,000	--
April 2012	300,000,000	--
October 2012	90,000,000	--
3 years from the date of drawdown	200,000,000	182,000,000
	990,000,000	622,000,000

10.2 The Company has obtained a loan from International Finance Corporation (IFC), amounting to USD 17.0 million (SR 63.75 million). The loan is repayable over a period of 7.5 years in 12 equal installments with a grace period of 24 months. The loan carries a fixed special commission rate calculated using i) fixed rate swap against six month LIBOR on the day of disbursement; and ii) IFC margin. The loan is secured against assignment of lease receivables.

Front end fee of SR 182,759 (2008: SR 289,432) has been netted off from the loan amount and is being amortised over the term of loan using effective special commission rate.

(Saudi Riyals)

11. SHARE CAPITAL

The company increased it's paid up share capital to SR 250 million (2008: SR 200 million) by issuing bonus shares amounting to SR 50 million through the capitalization of general reserve. The par value of a share has been reduced to SR 10 (2008: SR 50). The revised total number of shares 25,000,000 has been used to compute the basic and diluted earnings per share retrospectively. The pattern of shareholding is as follows:

Shareholders	Ownership Percentage	Number of Shares	Share Capital (SR)
Saudi:			
The Saudi Investment Bank	37.995%	9,498,750	94,987,500
Trade Development & Investment Group Limited	32%	8,000,000	80,000,000
Mr. Musaed Bin Mohammad Bin AbdulAziz Al Mineefi	0.005%	1,250	12,500
Non-Saudi:			
ORIX Corporation, Japan	20%	5,000,000	50,000,000
ORIX Leasing Pakistan Limited	10%	2,500,000	25,000,000
		25,000,000	250,000,000

12. STATUTORY RESERVE

The Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia require the Company to allocate 10% of its net income before zakat and income tax each year to form a statutory reserve until such reserve equals one-half of its share capital. The statutory reserve is not available for distribution.

13. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
Communication expenses	**679,275**	619,953
Office repair and maintenance cost	**274,227**	244,756
Insurance of own assets	**62,905**	44,154
Traveling and transportation	**92,891**	123,434
Printing and stationery	**198,029**	213,028
Advertising and promotion expenses	**85,177**	123,275
License, legal and professional charges	**1,280,342**	997,927
Other general expenses	**215,959**	225,461
	2,888,805	2,591,988

(Saudi Riyals)

14. ZAKAT AND INCOME TAX

A. Zakat

The following are the significant components of the zakat base of the Company for the years ended 31 December:

	2009	2008
Shareholders' equity at beginning	**270,972,391**	234,186,366
Provision for employees' end of service benefits at beginning	**2,215,374**	1,315,047
Adjusted net income for the year	**44,133,609**	39,312,286
Borrowings-net	**603,241,883**	823,425,420
Net fixed assets	**(2,973,692)**	(3,129,187)
Net investment in finance leases	**(948,521,548)**	(1,097,325,867)
Zakat base attributable to Saudi shareholders	**(127,226,373)**	(235,771,452)

As the zakat base for the years 2009 and 2008 are negative, zakat is calculated based on adjusted net income for the years ended 31 December as follows:

	2009	2008
Adjusted net income attributable to Saudi shareholders	**28,813,806**	22,486,628
Zakat @ 2.5%	**720,345**	562,166
Zakat under protest	**195,820**	--
Less: Under provided in the previous year	**--**	4,304
	916,165	566,470

Zakat is payable based on amounts attributable to the ultimate Saudi shareholders.

Provision for Zakat

The movement in the provision for zakat for the years ended 31 December is as follows:

	2009	2008
Balance as at 1 January	**1,026,575**	853,368
Provided during the year	**916,165**	566,470
Provided for 2008 under protest	**211,362**	--
Payment made during the year	**(773,528)**	(393,263)
Balance as at 31 December	**1,380,574**	1,026,575

Zakat Assessments

Zakat assessment for the period ended 31 December 2001 and for the year ended 31 December 2002, 31 December 2003 and 31 December 2004 have been assessed at SR 5.5 million in excess of the provision made in these financial statements. This is principally due to the fact that the Department of Zakat and Income Tax (DZIT) has not allowed a deduction from Zakat assets for the net investment in finance leases.

(Saudi Riyals)

The Company has appealed against this treatment but its appeal was disallowed subsequent to the year end by the Preliminary Appeal Committee. The Company has filed an appeal to the Higher Appeal Committee. There is a potential risk of an additional claim of SR 46.2 million, if the same principle were to be applied for all subsequent periods up to 31 December 2009.

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

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

For the year ended 31 December 2009, in addition to the Zakat and Income Tax liability indicated in the return, payments of income tax of SR 832,910 (2008 : SR 1,265,216) and Zakat of SR 195,820 (2008 : SR 211,362) have been made "under protest" on behalf of the shareholders.

B. Income Tax

Income tax liability for the years 2009 and 2008 has been calculated based on adjusted net income for the year ended 31 December as follows:

	2009	2008
Adjusted net income attributable to Non-Saudi shareholders	**15,267,918**	16,733,496
Income tax payable @ 20%	**3,053,584**	3,346,699
Income tax under protest	**832,910**	
Less: Excess provided in the previous years	--	(2,053)
	3,886,494	3,344,646

Provision for income tax

The movement in the provision for income tax for the years ended 31 December is as follows:

	2009	2008
Balance as at 1 January	**1,602,001**	2,328,315
Provided during the year	**3,886,494**	3,344,646
Provided for 2008 under protest	**1,265,216**	--
Payment made during the year	**(6,326,154)**	(4,070,960)
Balance as at 31 December	**427,557**	1,602,001

15. COMMITMENTS

	2009	2008
Finance lease contracts not yet executed	**43,692,316**	7,311,180
Operating lease commitments for office premises	**4,162,498**	6,012,498
Capital commitment for IT equipment	**13,250**	--

16. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the net income for the year by the weighted average number of issued and paid-up ordinary shares outstanding during the year.

17. CASH AND CASH EQUIVALENTS

	2009	2008
Cash in hand	7,971	17,180
Cash at banks	16,362,843	48,349,777
	16,370,814	48,366,957

18. FINANCIAL INSTRUMENTS

a) *Credit risk*

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

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

The Company manages its credit risk exposure through diversification of leasing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses. The credit risks on gross amounts due in relation to the investment in finance leases is mitigated by the retention of title on leased assets and security deposits. For details of the composition of the investment in finance leases portfolio refer to Note 4.

The Company follows a credit classification mechanism as a tool to manage the quality of credit risk of the lease portfolio. The Company presently maintains four grades which differentiate between performing and non-performing portfolios and allocates provisions accordingly. The Company grades the individual customer based both on subjective and time based criteria taking into consideration factors such as a customer's credit standing, financial strength, and security and quality of management. The Company monitors customers' grading on a regular basis.

b) *Special commission rate risk*

Special commission rate risk is the uncertainty of future earnings resulting from fluctuations in special commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to special commission rate adjustment within a specified period. The most important source of such rate risk is the Company's borrowings, and investment and leasing activities, where fluctuations in special commission rates, if any, are reflected in the results of operations.

Special commission rate gap is a common measure of rate risk. A positive gap occurs when more assets than liabilities are subject to rate changes during a prescribed period of time. A negative gap occurs when liabilities exceed assets subject to rate changes during a prescribed period of time.

The table below summarizes the Company's exposure to special commission rate risks. Included in the table are the Company's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The effective special commission rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate of a fixed rate instrument carried at amortized cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

(Saudi Riyals)

FINANCIAL INSTRUMENTS (Continued)

Special commission rate risk (Continued)

31 December 2009	**Within 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Non commission bearing**	**Total**	**Effective Comm. Rate (%)**
Assets						
Cash in hand and at banks	--	--	--	16,370,814	16,370,814	
Net investment in finance leases	202,502,590	374,205,691	371,813,267	--	948,521,548	10.92
Advances, prepayments and other receivable	--	--	--	3,145,155	3,145,155	
Fixed assets	--	--	--	2,129,481	2,129,481	
	202,502,590	**374,205,691**	**371,813,267**	**21,645,450**	**970,166,998**	
Liabilities and shareholders' equity						
Short-term loans	48,000,000	--	--	--	48,000,000	3.43
Accounts payable	--	--	--	23,431,134	23,431,134	
Accrued expenses and other liabilities	--	--	--	32,647,969	32,647,969	
Long-term loans	230,935,372	83,150,699	241,155,812	--	555,241,883	4.58
Employees' end of service benefits	--	--	--	3,266,252	3,266,252	
Shareholders' equity	--	--	--	307,579,760	307,579,760	
	278,935,372	**83,150,699**	**241,155,812**	**366,925,115**	**970,166,998**	
On-balance sheet gap	**(76,432,782)**	**291,054,992**	**130,657,455**	**(345,279,665)**		
Cumulative on-balance sheet gap	**(76,432,782)**	**214,622,210**	**345,279,665**			

31 December 2008	**Within 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Non commission bearing**	**Total**	**Effective Comm. Rate (%)**
Assets						
Cash in hand and at banks	--	--	--	48,366,957	48,366,957	
Net investment in finance leases	183,091,921	393,442,807	520,791,139	--	1,097,325,867	10.55
Advances, prepayments and other receivable	--	--	--	3,795,712	3,795,712	
Fixed assets	--	--	--	2,407,901	2,407,901	
	183,091,921	**393,442,807**	**520,791,139**	**54,570,570**	**1,151,896,437**	
Liabilities and shareholders' equity						
Short-term loans	134,993,205	19,998,615	--	--	154,991,820	5.44
Accounts payable	--	--	--	29,196,366	29,196,366	
Accrued expenses and other liabilities	--	--	--	25,937,413	25,937,413	
Long-term loan	349,443,703	74,641,469	244,348,428	--	668,433,600	5.28
Employees' end of service benefits	--	--	--	2,364,847	2,364,847	
Shareholders' equity	--	--	--	270,972,391	270,972,391	
	484,436,908	**94,640,084**	**244,348,428**	**328,471,017**	**1,151,896,437**	
On-balance sheet gap	**(301,344,987)**	**298,802,723**	**276,442,711**	**(273,900,447)**		
Cumulative on-balance sheet gap	**(301,344,987)**	**(2,542,264)**	**273,900,447**			

(Saudi Riyals)

FINANCIAL INSTRUMENTS (Continued)

c) ***Liquidity risk***

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

The table below summarizes the maturity profile of the Company's assets, liabilities and shareholders' equity. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Company's availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

The maturity profile of the assets, liabilities, and shareholders' equity is as follows:

31 December 2009	**Within 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**No fixed maturity**	**Total**
Assets					
Cash in hand and at banks	16,370,814	--	--	--	16,370,814
Net investment in finance leases	202,502,590	374,205,691	371,813,267	--	948,521,548
Advances, prepayments and other receivable	3,145,155	--	--	--	3,145,155
Fixed assets	--	--	--	2,129,481	2,129,481
	222,018,559	374,205,691	371,813,267	2,129,481	970,166,998
Liabilities and Shareholders' equity					
Short-term loans	48,000,000	--	--	--	48,000,000
Accounts payable	23,431,134	--	--	--	23,431,134
Accrued expenses and other liabilities	32,647,969	--	--	--	32,647,969
Long-term loans	30,953,288	83,150,699	441,137,896	--	555,241,883
Employees' end of service benefits	--	--	--	3,266,252	3,266,252
Shareholders' equity	--	--	--	307,579,760	307,579,760
	135,032,391	83,150,699	441,137,896	310,846,012	970,166,998
Maturity gap	86,986,168*	291,054,992	(69,324,629)	(308,716,531)	
Cumulative maturity gap	86,986,168	378,041,160	308,716,531		

* The company has unutilized bank facilities of SR 540 million as at 31 December 2009 to meet the short-term liquidity requirements.

(Saudi Riyals)

FINANCIAL INSTRUMENTS (Continued)

Liquidity risk (Continued)

31 December 2008	**Within 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**No fixed maturity**	**Total**
Assets					
Cash in hand and at banks	48,366,957	--	--	--	48,366,957
Net investment in finance leases	183,091,921	393,442,807	520,791,139	--	1,097,325,867
Advances, prepayments and other receivable	3,795,712	--	--	--	3,795,712
Fixed assets	--	--	--	2,407,901	2,407,901
	235,254,590	393,442,807	520,791,139	2,407,901	1,151,896,437
Liabilities and shareholders' equity					
Short-term loans	134,993,205	19,998,615	--	--	154,991,820
Accounts payable	29,196,366	--	--	--	29,196,366
Accrued expenses and other liabilities	25,937,413	--	--	--	25,937,413
Long-term loans	73,886,620	100,366,467	494,180,513	--	668,433,600
Employees' end of service benefits	--	--	--	2,364,847	2,364,847
Shareholders' equity	--	--	--	270,972,391	270,972,391
	264,013,604	120,365,082	494,180,513	273,337,238	1,151,896,437
Maturity gap	(28,759,014)*	273,077,725	26,610,626	(270,929,337)	
Cumulative maturity gap	(28,759,014)	244,318,711	270,929,337		

* The company has unutilized bank facilities of SR 100 million as at 31 December 2008 to meet the short-term liquidity requirements.

19. GEOGRAPHICAL CONCENTRATION

The Company operates and has all of its assets, liabilities, and commitments in the Kingdom of Saudi Arabia except for a Long-term loan from International Finance Corporation repayable in United States of America.

20. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Company transacts business with related parties which are related as its shareholders.

The Company is provided with technical assistance from ORIX Corporation, Japan and ORIX Leasing Pakistan Limited at no cost under an arrangement.

(Saudi Riyals)

RELATED PARTY TRANSACTIONS (Continued)

Other amounts relating to its shareholders and included in the financial statements which have been transacted under normal commercial terms are as follows:

	2009	2008
Balance Sheet		
Advances, prepayments and other receivables	475,997	467,491
Short-term loans	38,000,000	38,000,000
Accrued special commission	456,000	1,521,459
Accrued expenses and other liabilities	--	18,751
Directors' award payable	1,125,000	1,125,000
Income Statement		
Rent and premises related expenses	1,870,500	1,850,000
Special commission expenses and amortized transaction costs on short-term loan and long-term loan	2,116,420	6,234,925

21. COMPARATIVE FIGURES

Prior year figures have been reclassified wherever necessary to conform to current year presentation.

22. BOARD OF DIRECTORS' APPROVAL

The Board of Directors has proposed cash dividend of SR. 0.75 per share for the year ended 31 December 2009 (2008: Nil).

These financial statements were approved by the Board of Directors on 1 February 2010.

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