AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
AND INDEPENDENT AUDITOR'S REPORT

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pwc

INDEPENDENT AUDITOR'S REPORT

March 28, 2017

To the Shareholders of Al Tayseer Arabian Company:
(A Saudi Closed Joint Stock Company)

Scope of audit

We have audited the accompanying statement of financial position of Al Tayseer Arabian Company (A Saudi Closed Joint Stock Company) (the "Company") as at December 31, 2016 and the related statements of comprehensive income, cash flows and changes in shareholders' equity for the year then ended, and the notes from (1) to (23) which form an integral part of these financial statements. These financial statements, which were prepared by the Company in accordance with the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Company's management. 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 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 policies and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards (IFRS); and

- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of financial statements.

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AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
Statement of financial position for the year ended December 31, 2016
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at December 31, 2016	As at December 31, 2015
Assets			
Current assets			
Cash and cash equivalents	5	5,302	13
Net investment in finance leases - current portion	6	439,318	454,646
Prepayments and other receivables	7	60,164	40,526
		504,784	495,185
Non-current assets			
Net investment in finance leases - non-current portion	6	397,536	479,831
Property and equipment	8	10,320	2,515
		407,856	482,346
Total assets		912,640	977,531
Liabilities			
Current liabilities			
Accounts payable		14,600	4,410
Accrued and other liabilities	9	12,987	4,702
Current maturity of long term borrowings	10	8,351	-
Due to a shareholder	11	378,727	221,969
Zakat payable	12	6,964	34,318
		421,629	265,399
Non-current liabilities			
Long term borrowings	10	25,054	-
Due to a shareholder	11	-	240,466
Employee termination benefits	13	9,278	8,719
		34,332	249,185
Total liabilities		455,961	514,584
Shareholders' equity			
Share capital	14	400,000	400,000
Statutory reserve	15	6,294	6,294
Retained earnings		50,385	56,653
Total shareholders' equity		456,679	462,947
Total liabilities and shareholders' equity		912,640	977,531
Contingencies and commitments	18		

The accompanying notes from 1 to 23 form an integral part of these financial statements.

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
Statement of comprehensive income for the year ended December 31, 2016
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31,	
		2016	**2015**
Income from finance leases, net		**110,843**	150,473
Expenses			
Provision for impairment	6, 7	**(17,559)**	(10,042)
Insurance and other cost of financed vehicles		**(41,997)**	(57,188)
Selling and marketing	16	**(35,011)**	(29,143)
General and administrative	17	**(23,582)**	(38,523)
Net operating (loss)/income		**(7,306)**	15,577
Other (expenses) / income			
Financial charges		**(15,933)**	(14,094)
Other, net		**2,016**	(1,397)
(Loss) / income before zakat		**(21,223)**	86
Reversal of zakat charge, net	12	**14,955**	23,852
Net (loss) / income for the year		**(6,268)**	23,938
Other comprehensive income		**-**	-
Total comprehensive (loss)/income		**(6,268)**	23,938

The accompanying notes from 1 to 23 form an integral part of these financial statements.

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
Statement of cash flows for the year ended December 31, 2016
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31, 2016	2015
Cash flows from operating activities			
(Loss)/income before zakat		**(21,223)**	86
Adjustments for non-cash items			
Provision for impairment	6,7	**17,559**	10,042
Depreciation	8	**435**	381
Gain on disposal of property and equipment		**-**	(9)
Write-off of capital work-in-progress		**-**	3,554
Financial charges		**15,933**	14,094
Changes in working capital			
Net investment in finance leases		**80,348**	185,456
Prepayments and other receivables		**(19,922)**	9,633
Accounts payable		**10,190**	2,185
Accrued and other liabilities		**8,285**	1,484
Finance cost paid		**(15,933)**	(14,094)
Zakat paid	12.2	**(12,399)**	(21,787)
Employee termination benefits		**559**	1,057
Net cash generated from operating activities		**63,832**	192,082
Cash flows from investing activities			
Purchase of property and equipment	8	**(8,240)**	(2,917)
Proceeds from disposal of property and equipment		**-**	119
Net cash utilized in investing activities		**(8,240)**	(2,798)
Cash flows from financing activities			
Due to a shareholder		**(83,708)**	(189,280)
Long term borrowings		**33,405**	-
Net cash utilized in financing activities		**(50,303)**	(189,280)
Net increase in cash and cash equivalents		**5,289**	4
Cash and cash equivalents at beginning of year		**13**	9
Cash and cash equivalents at end of year	5	**5,302**	13
Supplemental cash flows information			
Non-cash financing activity:			
Capital work-in-progress transferred to shareholder		**-**	3,785

The accompanying notes from 1 to 23 form an integral part of these financial statements.

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
Statement of changes in shareholders' equity for the year ended December 31, 2016
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2016		**400,000**	**6,294**	**56,653**	**462,947**
Total comprehensive loss for the year		-	-	(6,268)	(6,268)
December 31, 2016		**400,000**	**6,294**	**50,385**	**456,679**
January 1, 2015		400,000	3,901	35,108	439,009
Total comprehensive income for the year		-	-	23,938	23,938
Transfer to statutory reserve	15	-	2,393	(2,393)	-
December 31, 2015		400,000	6,294	56,653	462,947

The accompanying notes from 1 to 23 form an integral part of these financial statements.

1 General information

Al Tayseer Arabian Company (the "Company") is principally engaged in providing various types of automotive finance services to the retail and corporate sector in Saudi Arabia. The Company is part of Al Jomaih Group (the "Group") and effectively 100% owned by Al Jomaih Automotive Company ("AAC") which is ultimately owned by Al Jomaih Holding Company ("AJHC", "the Holding Company" or "the Group").

The Company is a closed joint stock company operating under Commercial Registration ("CR") No. 2051060381 issued in Riyadh on Jumad ul Akhira 11, 1436 H (March 31, 2015). The registered address of the Company is P.O. Box 224, King Abdullah Street, Khobar 31411, Kingdom of Saudi Arabia.

The Company holds equity interest in Al Jomaih Beverages Limited Company ("ABC") which was formed during 2013, on behalf of the Holding company under trustee arrangements. Accordingly, such equity interest has not been recorded in the Company's books of accounts.

2 Basis of preparation

2.1 Compliance with IFRS

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

2.2 Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention.

2.3 New IFRS, IFRIC and amendments thereof, adopted by the Company

The accounting policies used in the preparation of these financial statements are consistently applied for all years presented, except for the adoption of certain amendments and revisions to existing standards as mentioned below, which are effective for periods beginning on or after January 1, 2016 but had no significant financial impact on the financial statements of the Company:

- Amendments to IFRS 11, 'Joint arrangements' regarding acquisition of an interest in a joint operation, effective January 1, 2016. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortization, effective January 1, 2016. This amendment clarifies the acceptable methods of depreciation and amortization.

- Amendment to IAS 27, 'Separate financial statements' regarding the equity method, effective January 1, 2016. The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture, effective January 1, 2016. These amendments clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.

- Amendments to IAS 1, 'Presentation of financial statements' - Disclosure initiative, effective January 1, 2016. The amendments explore how financial statement disclosures can be improved. They provide clarifications on a number of issues, including materiality and disaggregation and sub-totals of line items specified in IAS 1.

2.4 Standards, interpretations and amendments to published standards that will be effective for the periods commencing after July 1, 2016 and have not been early adopted by the Company

The Company's management decided not to choose the early adoption of the following new and amended standards and interpretations issued which will become effective for the period commencing on or after January 1, 2017:

- Annual improvements 2014, effective July 1, 2016. It includes changes to:

    - IFRS 5, 'Non-current assets held for sale and discontinued operations'
    - IFRS 7, 'Financial instruments: Disclosures'
    - IAS 19, 'Employee benefits', and
    - IAS 34, 'Interim financial reporting'

- IFRS 9, 'Financial instruments', effective January 1, 2018. This replaces IAS 39, 'financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model;

- IFRS 15, 'Revenue from contracts with customers', effective January 1, 2018. It has established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction contracts and the related interpretations;

- Amendments to IAS 7, 'Statement of Cash flows' on disclosure initiative, effective January 1, 2017. These amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from the financing activities;

- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealized losses, effective January 1, 2017. This amendment clarifies the measurement basis for cash- settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled;

- IFRS 16 'Leases', effective 1 January 2019. This standard replaced the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular;

- Amendment to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments', effective January 1, 2018.

- Annual improvements 2014 - 2016, effective January 1, 2018. It includes changes to:

    - IFRS 1, 'First time adoption of IFRS'
    - IFRS 12, 'Disclosure of interests in other entities '
    - IAS 28, 'Investments in associates and joint ventures'.

- IFRIC 22, 'Foreign currency transactions and advance consideration' effective January 1, 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency.

  The Company is assessing the implications of the standards, interpretations and amendments tto published standards effective after July 2016, in particular the implications for the Company of IFRS 9, 'Financial instruments', IFRS 15 ' Revenue from contracts with customers', and IFRS 16, 'Leases'.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below.

3.1 Foreign currency translations

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income or loss.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and short-term highly liquid investments, with original maturities up to three months, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

3.3 Net investment in finance leases

Leases in which the Company transfers substantially all the risk and rewards incidental to the ownership of an asset to the lessees are classified as finance lease. Finance leases are recorded at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments ("PVMLP") and subsequently measured at amortized cost using effective commission rate.

Gross investment in finance leases include the total of future lease payments on finance leases including residual amount receivable ("Lease rentals"). Security deposits with right to offset against lease rentals are deducted from gross investments in finance lease. The difference between lease rentals and the cost of the leased asset including transaction costs is recorded as unearned finance income.

For presentation purposes, the unearned finance income and impairment provision for lease losses is deducted from the gross investment in finance leases.

3.4 Repossessed assets held for sale

The Company in the ordinary course of its business, acquires certain vehicles and other assets against settlement of loans and advances. Such assets are considered as assets held for sale and are initially recorded at the lower of the net realizable value of related loans and advances or the current fair value of the related assets, less any cost to sell.

Subsequent to the initial recognition, these assets owned are periodically revalued and are carried at lower of their carrying values or the related net realizable value. Rental income, realized gain or losses on disposal and unrealized losses on evaluation are credited or charged to the comprehensive income.

3.5 Short-term deposits

Short-term deposits include placements with banks and other short-term highly liquid investments with original maturities of more than three months but not more than one year from the purchase date.

3.6 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment, if any, except capital work-in-progress which is carried at cost, less accumulated impairment, if any. Land is not depreciated. Depreciation is charged to the statement of comprehensive income or loss, using the straight-line method, to allocate the carrying value over the estimated useful lives, as follows:

	Number of years
• Buildings and leasehold improvements	10 - 33
• Furniture, fixtures and office equipment	4 - 5
• Motor vehicles	4

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of comprehensive income or loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

All other repairs and maintenance are charged to the statement of comprehensive income or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

3.7 Impairment of financial and non-financial assets

Financial assets at amortized cost

Impairment assessment for all individually significant financial assets is done at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired primarily based on the following:

- Default or delinquency by the counter party; and
- Indications that the counter party will enter bankruptcy.

If such evidence exist, an impairment loss is recognized in the statement of comprehensive income or loss based on the present value of expected future cash flows (generated from customers or sale of collaterals) discounted at the original effective commission rate.

Other than individually significant financial assets are also collectively assessed by the management for impairment at each reporting date based on the probability of default calculated on historical trend and other factors.

Financial assets are written off only in circumstances where there are no realistic prospects of recovery.

Non-financial assets

Non-financial assets are reviewed for impairment 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 the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income or loss.

3.8 Accounts payable and accruals

Liabilities are obligations to pay for goods and services received, whether or not billed to the Company. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.9 Borrowings and related cost

Borrowings are recognized initially at fair value, net of transactions cost. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognized in the statement of comprehensive income or loss over the period of the borrowings using the effective interest method.

General and specific borrowings cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in statement of comprehensive income or loss in the period in which they are incurred.

3.10 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the statement of comprehensive income or loss. The liability is calculated; as the current value of the vested benefits to which the employee is entitled, if the employee decided to leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

3.11 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

3.12 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Finance lease income is recognized over the term of the lease using the effective yield method. Other income is recognized on accrual basis as the services are rendered.

3.13 Operating leases

Rental expenses under operating leases are charged to the statement of comprehensive income or loss over the period of the respective lease.

3.14 Zakat and income tax

In accordance with the regulations of the General Authority of Zakat Tax ("GAZT"), the Company is subject to zakat. Provision for zakat is charged to the statement of comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Company's zakat return is filed by Al Jomaih Holding Company ("AJHC") (Ultimate Parent), on a consolidated basis. AJHC allocates a portion of its total zakat liability to the Company which is charged to the statement of comprehensive income. Payments allocated are charged against the provision.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian income Tax law.

3.15 Financial assets and financial liabilities

Financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These assets and liabilities are subsequently measured at fair value, amortized cost or cost as the case may be. These assets and liabilities are off set and the net amount is reported in the statement of financial position if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Critical accounting estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

- Impairment provision - note 3.7, note 6 and note 7
- Provision of zakat and income tax - note 12

5 Cash and cash equivalents

	2016	2015
Cash at bank	4,892	6
Cash in hand	410	7
	5,302	13

6 Net investment in finance leases

	2016	2015
Gross investment in finance leases	1,047,657	1,124,555
Unearned finance income	(165,331)	(161,881)
Present value of minimum lease payments receivable	882,326	962,674
Provision for impairment	(45,472)	(28,197)
Net investment in finance leases	836,854	934,477
Investment in finance lease - non-current portion	(397,536)	(479,831)
Investment in finance lease - current portion	439,318	454,646

6.1 Credit quality analysis of investment in finance leases is as follows:

	2016	2015
Gross investment in finance lease		
Not past due	905,768	1,029,885
Past due	141,889	94,670
	1,047,657	1,124,555
Net investment in finance lease		
Not past due	740,437	868,004
Past due	96,417	66,473
	836,854	934,477

(All amounts in Saudi Riyals thousands unless otherwise stated)

6.2 Aging analysis of past due finance lease receivables is as follows:

	2016	2015
Past due gross finance lease receivables		
Up to 6 months	25,776	20,810
6 to 12 months	20,492	15,753
More than 12 months	95,621	58,107
	141,889	94,670
Past due net finance lease receivables		
Up to 6 months	24,059	20,290
6 to 12 months	13,087	14,178
More than 12 months	59,271	32,005
	96,417	66,473

6.3 Maturity profile of gross investment in finance and present value of minimum lease payments receivables is as follows:

	2016	2015
Gross investment in finance leases		
Within one year	515,174	555,832
From one to three years	466,136	470,033
Three to five years	66,347	98,690
	1,047,657	1,124,555
Present value of minimum lease payments receivable		
Within one year	439,318	461,363
From one to three years	382,309	412,109
Three to five years	60,699	89,202
	882,326	962,674

6.4 Movement in provision for impairment of lease receivables is as follows:

	2016	2015
January 1	28,197	19,233
Additions	17,275	8,964
December 31	45,472	28,197

The Company currently generates substantially all of its revenues from leasing of motor vehicles in the Kingdom of Saudi Arabia. More than 96% of finance lease receivables of the Company are related to general customers and the remaining represent corporate customers. The credit risk on net investment in finance leases is generally mitigated by the retention of legal title documents on leased assets. The net investment portfolio of SR 740 million neither past due nor impaired has satisfactory history of repayments.

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 Prepayments and other receivable

	2016	2015
Prepaid insurance	5,655	7,590
Insurance claims receivable	46,559	25,568
Other	11,089	10,223
	63,303	43,381
Provision for impairment	(3,139)	(2,855)
	60,164	40,526

Movement in provision for impairment of other receivables are as follows:

	2016	2015
January 1	2,855	2,725
Additions	284	1,078
Write-offs	-	(948)
December 31	3,139	2,855

Prepaid insurance principally relates to insurance premium paid on leased vehicles sold to customers on financing lease.

Insurance claims receivable represent Company's claims with insurance companies against the insurance of its vehicles sold under financing lease. Other receivables include fines and penalties paid by the Company which are receivable from the customers.

8 Property and equipment

	January 1, 2016	Additions	Disposals	December 31, 2016
2016				
Cost				
Buildings and leasehold improvements	661	59	-	720
Furniture, fixtures and office equipment	1,771	1,339	-	3,110
Motor vehicles	752	22	-	774
Capital work-in-progress	1,354	6,820	-	8,174
	4,538	8,240	-	12,778
Accumulated depreciation				
Buildings and leasehold improvements	(183)	(38)	-	(221)
Furniture, fixtures and office equipment	(1,160)	(352)	-	(1,512)
Motor vehicles	(680)	(45)	-	(725)
	(2,023)	(435)	-	(2,458)
	2,515			10,320

(All amounts in Saudi Riyals thousands unless otherwise stated)

	January 1, 2015	Additions	Disposals / Write-offs	December 31, 2015
2015				
Cost				
Buildings and leasehold improvements	443	218	-	661
Furniture, fixtures and office equipment	1,381	390	-	1,771
Motor vehicles	720	175	(143)	752
Capital work-in-progress	6,559	2,134	(7,339)	1,354
	9,103	2,917	(7,482)	4,538
Accumulated depreciation				
Buildings and leasehold improvements	(154)	(29)	-	(183)
Furniture, fixtures and office equipment	(925)	(235)	-	(1,160)
Motor Vehicles	(596)	(117)	33	(680)
	(1,675)	(381)	33	(2,023)
	7,428			2,515

9 Accrued and other liabilities

	2016	2015
Salaries and benefits	3,526	637
Accrued purchases and others	9,461	4,065
	12,987	4,702

10 Long term borrowings - Secured

	2016	2015
As at December 31	33,405	-
Less: current maturity shown under current liabilities	(8,351)	-
	25,054	-

During the year, the Company entered into a Murabaha Financing Agreement with a commercial bank amounting to SR 187.5 million against its lease receivables. As at December 31, 2016, the Company has drawn down SR 33.4 million against such facility. The loan is repayable in 48 equal monthly installments starting in 2017. The loan is denominated in Saudi Riyals and bears financial charges based on prevailing market rates. The covenants of the borrowing facility requires the Company to maintain certain level of financial condition, place limitations on dividends distribution, change in shareholding structure and disposal of its assets.

As at December 31, 2016, the Company has also assigned lease receivables to the bank amounting to SR 41.7 million representing 125% of the loan principal drawn.

The loan is secured by corporate guarantee from AAC in addition to joint and several guarantees signed by shareholders of the ultimate holding Company.

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Related party matters

The Company is a member of a group of Companies which is directly or indirectly controlled by AJHC ("related parties").

11.1 Related party transactions

Significant transactions with related parties included in the financial statements are summarized below:

	2016	2015
Purchase of vehicles for leases from AAC	**331,824**	323,724
Payments made to AAC	**95,550**	93,753
Shared service costs charged by a Shareholder	**8,389**	13,428
Insurance costs paid on behalf of the Company by a Shareholder	**16,895**	46,805
Operating expenses paid on behalf of the Company by a Shareholder	**7,981**	28,126
Financial cost charged by a Shareholder	**15,203**	11,739
Key management compensation (represents directors and departments heads remuneration)	**5,294**	5,515

11.2 Due to a shareholder

	2016	2015
Current		
Advances	**303,585**	221,969
Trade	**75,142**	-
	378,727	221,969
Non-Current		
Advances	**-**	240,466
	378,727	462,435

Advances bear financial charges at the prevailing variable market rates. The advance amount is set off on daily basis based on the collections made by the AAC on behalf of the Company. Trade payable is settled in accordance with the terms agreed between the Company and AAC.

12 Zakat matters

12.1 Components of zakat base

The significant components of the zakat base under zakat and income tax regulations, are summarized as follows:

	2016	2015
Share capital	**400,000**	400,000
Statutory reserve	**6,294**	3,901
Retained earnings	**56,653**	35,108
Provisions	**39,771**	28,282
Shareholder loan obligations at the end of the year	**303,585**	462,435
Adjusted net income	**1,794**	11,185
Zakat payable	**34,318**	79,957
Other additions	**-**	407
Property, plant and equipment, net (as adjusted)	**(10,320)**	(2,515)
Net investment in finance leases	**(836,854)**	(962,674)
Zakat base	**(4,759)**	56,086

Zakat is payable at 2.5 percent of the approximate zakat base or adjusted net income.

(All amounts in Saudi Riyals thousands unless otherwise stated)

12.2 Provision for zakat

	2016	2015
January 1	34,318	79,957
Provision for the year	45	1,402
Reversal of provision related to prior years	(15,000)	(25,254)
Payments	(12,399)	(21,787)
December 31	6,964	34,318

12.3 Zakat status

The zakat declaration is filed at the consolidated level of the AJHC group. During the year, the assessments relating to the years up to 2014 have been finalized. Accordingly the zakat provision for prior years have been finalised and the excess provision has been reversed. The calculation of the zakat base includes the deduction of the net investment in finance leases. This is in line with the practice adopted by the finance lease industry but is subject to final agreement between GAZT, the Saudi Arabian Monetary Authority and the finance lease industry. Should the practice not be agreed by the respective interested parties, the Company may be subject to additional zakat of SR 21 million. Additional zakat charged by GAZT over and above the provision as at December 31, 2016, if any, will be borne by the AJHC group.

13 Employee termination benefits

	2016	2015
January 1	8,719	7,662
Provisions	1,658	2,395
Payments	(1,099)	(1,338)
December 31	9,278	8,719

14 Share capital

The share capital of the Company comprises 400,000 shares as at December 31, 2016 and 2015 stated at Saudi Riyals 1,000 per share, owned as follows:

Shareholder	Country of incorporation/nationality	Shareholding percentage 2016	Shareholding percentage 2015
AAC	Saudi Arabia	96	96
Al Jomaih Energy & Water Company Limited	Saudi Arabia	1	1
Al Jomaih Rent-a-Car Company	Saudi Arabia	1	1
Mr. Mohammed Abdul Aziz Abdullah Al Jomaih	Saudi	1	1
Mr. Hamad Abdul Aziz Abdullah Al Jomaih	Saudi	1	1
		100	100

15 Statutory reserve

In accordance with the Company's By-laws and the Regulations for Companies in Kingdom of Saudi Arabia, before the new Regulations for Companies were issued in 2016, the Company is required to transfer 10% of the net income for the year to a statutory reserve until it equals to 50% of its share capital. The new Regulations for Companies require the Company to maintain a statutory reserve equal to 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company.

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Selling and marketing expenses

	2016	2015
Salaries and benefits	**21,995**	18,868
Commissions and sales promotion	**5,197**	2,388
Rental	**3,040**	2,175
Maintenance and cleaning	**917**	2,271
Subscriptions	**586**	1,145
Depreciation	**128**	165
Other	**3,148**	2,131
	35,011	29,143

17 General and administrative expenses

	2016	2015
Salaries and benefits	**10,037**	14,221
Professional services	**927**	1,379
Rental	**827**	1,568
Postage and communication	**742**	396
Travel and accommodation	**733**	585
Depreciation	**307**	216
Capital work-in-progress written-off	**-**	3,554
Administrative expenses charged by a shareholder	**8,389**	15,985
Other	**1,620**	619
	23,582	38,523

18 Contingency and commitments

Contingency
The contingency related to zakat is disclosed in note 12 of these financial statements.

Commitments
The operating lease commitments for the Company's office premises are as follows:

	2016	2015
Less than one year	**2,610**	1,170
More than a year and less than five years	**-**	-
Total	**2,610**	1,170

19 Fair values of financial assets and financial liabilities

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

Level 1: quoted market prices (unadjusted) in active markets for identical financial assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs that are unobservable.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

All financial assets and financial liabilities are measured at amortized cost, Level 3. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values.

20 Financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and commission rate risk), credit risk and liquidity risk. The Company's overall risk management program, which is carried out by senior management, focuses on having cost effective funding as well as managing financial risks to minimize earning volatility and provide maximum return to shareholders. The risks faced by the Company and their respective mitigating strategies are summarized below.

20.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause a financial loss to the Company. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The management analyses credit risk into the following categories:

Net investment in finance leases

Investment in finance lease receivables is generally exposed to significant credit risk. Therefore, 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 title on leased assets, and personal guarantees. The Company also follows a credit classification mechanism as a tool to manage the quality of credit risk of the lease portfolio and grades. The individual customers based on both subjectivity and credit history through Saudi credit bureau taking into consideration factors such as customer credit standing, financial strength and security. However, for the Small and Medium Sized Entities ("SME") and corporate customers, the Company focuses on the financial position, cash flows, working capital management, debt to equity, turn over, historical financial & operational performance, personal guarantee and management quality.

The Company monitors customers' grading on a regular basis. As at the statement of financial position date, past due but not fully impaired balances amounted to SR 141.8 million out of which SR 116.1 million are outstanding for more than six months. The management believes that adequate provision has been accounted for, where required to address the credit risk. Further details related to net investment in finance leases and related risk are presented in Note 3.7 and note 6 to these financial statements.

Cash and cash equivalents and other receivables

These are placed with banks having good credit ratings, and therefore are not subject to significant credit risk. Other receivables are not exposed to significant credit risk.

20.2 Commission rate risk

Commission rate risk is the uncertainty of future earnings resulting from fluctuations in commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to commission rate adjustment within a specified period. The most important source of such risk is the Company's borrowings and leasing activities, where fluctuations in commission rates, if any, are reflected in the results of operations. As at the statement of financial position date, the Company has SR 837 million net commission bearing financial assets. However, the commission rates have already been agreed with the respective customers.

The Company's management monitors the fluctuations in commission rates on regular basis and believes that the commission rate risk is not material.

20.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has no significant exposure to currency risk as it mainly deals in Saudi Riyals which is also the functional currency of the Company.

(All amounts in Saudi Riyals thousands unless otherwise stated)

20.4 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. As disclosed in Note 11, the Company has bank borrowings of SR 33.4 million as at December 31, 2016 (2015 – nil) and due to a shareholder amounting to SR 304 million (2015: SR 462 million). The loans carry interest at the prevailing market rates. Management reviews the exposure of the Company to interest rate risks on a regular basis. A 1% increase in the market rate would result in an additional charge to the income statement of SR 3.0 million (2015: SR 4.6 million).

20.5 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet financial commitments. As at December 31, 2016, the Company's contractual maturities of financial liabilities are of SR 415 million, SR 17 million and SR 8 million for up to one year, one to three years and more than three years respectively. (2015: SR 223 million, SR 199 million and SR 42 million for up to one year, one to three years and more than three years respectively). The Company manages liquidity risk through availability of financing through AAC and borrowings from commercial banks. As at balance sheet date, based on the following maturity profile the Company does not have significant exposure to liquidity risk.

	Up to one year	One to three years	More than three years	Total
Financial assets - commission bearing:				
Net investment in finance leases	393,846	331,510	111,498	836,854
Financial assets - non commission bearing:				
Cash and bank balances	5,302	-	-	5,302
Other receivables	54,358	-	-	54,358
2016	**453,506**	**331,510**	**111,498**	**896,514**
2015	487,167	396,262	83,997	967,426
Financial liabilities - commission bearing:				
Due to a shareholder	303,585	-	-	303,585
Long term borrowings	8,351	16,703	8,351	33,405
Financial liabilities - non commission bearing:				
Due to a shareholder	75,142	-	-	75,142
Accounts payable	14,600	-	-	14,600
Accrued and other liabilities	12,987	-	-	12,987
2016	**414,665**	**16,703**	**8,351**	**439,719**
2015	223,081	198,847	41,619	463,547
Net financial assets (2016)				
Commission bearing	81,910	314,807	103,147	499,864
Non commission bearing	(43,069)	-	-	(43,069)
	38,841	314,807	103,147	456,795
Net financial assets (2015)				
Commission bearing	240,249	197,415	42,378	480,042
Non commission bearing	23,837	-	-	23,837
	264,086	197,415	42,378	503,879

(All amounts in Saudi Riyals thousands unless otherwise stated)

21 Capital risk management

The Company's objective when managing capital is to safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Borrowings comprise advances portion of due to a shareholder balance and other long term borrowings from commercial banks. The management analyzes the gearing ratio as follows:

	2016	**2015**
Equity	**456,679**	462,947
Borrowings	**336,990**	462,435
Total	**793,669**	925,382
Gearing ratio (Borrowings as a percentage of total)	**42.5%**	49.9%

22 Comparative figures

Certain prior period figures for 2015 have been reclassified to conform to the current period's presentation, the effect of those reclassifications is not significant.

23 Date of authorization of issue

The accompanying financial statements were authorized for issue by the Board of Directors on March 28, 2017.