

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
AND INDEPENDENT AUDITOR'S REPORT

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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Independent auditor's report to the shareholders of Al Tayseer Arabian Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Al Tayseer Arabian Company (the "Company") as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2017;
- the statement of comprehensive loss for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as modified by SAMA for the accounting of zakat and income tax and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Independent Auditor's Report to the Shareholders of Al Tayseer Automotive Company Limited

Our objectives are to obtain reasonable assurance about whether the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



*Independent auditor's report to the shareholders of Al Tayseer
Arabian Company (continued)*

Report on other legal and regulatory requirements

A handwritten signature in blue ink, appearing to read "Omar M. Al Sagga", with a stylized flourish at the end.

Omar M. Al Sagga
License Number 369

May 6, 2018

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

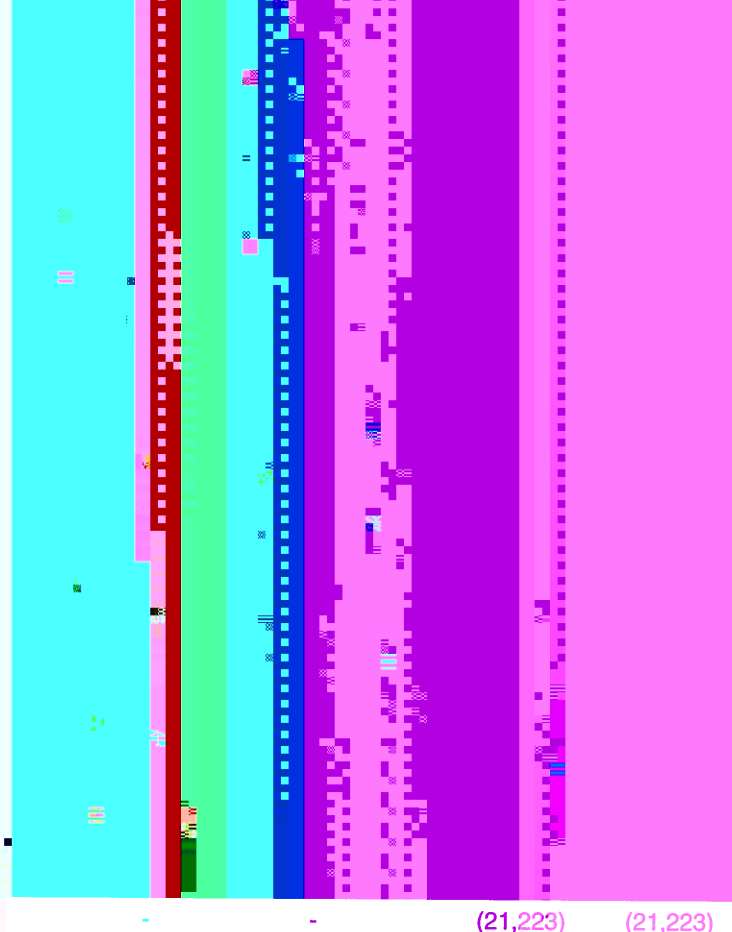
	Note	As at December 31,	
		2017	2016
	6	6,399	1,961
	7	338,899	393,846
	8,25	42,995	55,651
		388,293	451,458
	13,25	18,750	3,341
	7,25	372,561	443,008
	9	5,799	10,320
	10	6,093	-
		403,203	456,669
Total assets		791,496	908,127
Liabilities and shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable	11,25	13,494	10,087
Accrued and other liabilities	12	11,775	12,987
Current maturity of long term borrowings	13	46,875	8,351
Due to related parties - current portion	14	157,033	378,727
Zakat payable	15	37,278	6,964
		266,455	417,116
Non-current liabilities			
Long term borrowings	13	103,381	25,054
Due to related parties - non-current portion	14	70,000	-
Employee termination benefits	16	9,911	9,278
		183,292	34,332
Total liabilities		449,747	451,448
Shareholders' equity			
Share capital	17	400,000	400,000
Statutory reserve	18	6,294	6,294
(Accumulated deficit) retained earnings		(64,545)	50,385
Total shareholders' equity		341,749	456,679
Total liabilities and shareholders' equity		791,496	908,127
Contingencies and commitments	21		

The accompanying notes from 1 to 26 form an integral part of these financial statements.

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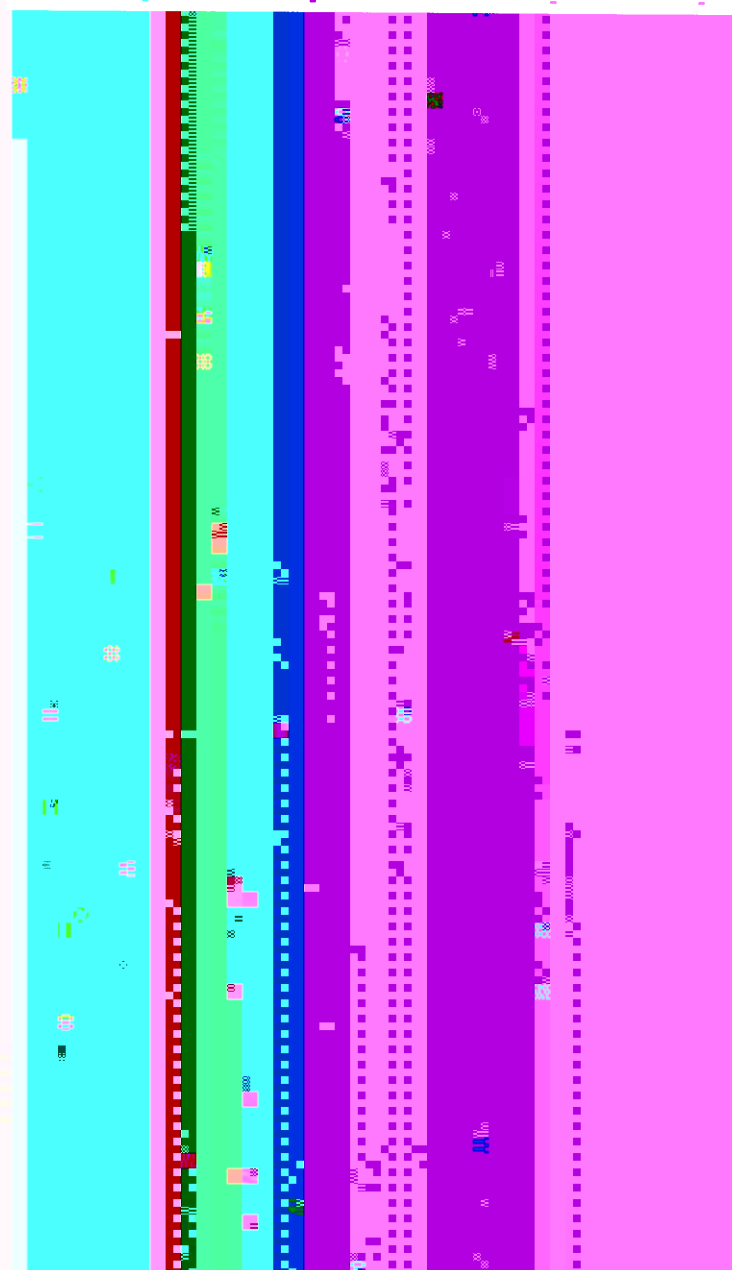
	Note	Year ended December 31,	
		2017	2016
			(Restated)
Income from finance leases, net		87,752	110,843
Expenses			
Provision for impairment	7, 8	(48,679)	(17,559)
Insurance and other cost of financed vehicles		(38,667)	(41,997)
Selling and marketing	19	(29,634)	(35,011)
General and administrative	20	(27,667)	(23,582)
Net operating loss		(56,895)	(7,306)
Other (expenses) / income			
Financial charges		(14,670)	(15,933)
Other, net		5,289	2,016
Net loss for the year		<u>(66,276)</u>	<u>(21,223)</u>
Other comprehensive loss		<u>(1,325)</u>	<u>-</u>
Total comprehensive loss for the year		<u>(67,601)</u>	<u>(21,223)</u>

The accompanying notes from 1 to 26 form an integral part of these financial statements.



(21,223)

(21,223)



AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2017
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 of 5% 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

The financial statements of the Company for the year ended December 31, 2017 have been prepared by the management in accordance with International Financial Reporting Standards ("IFRS") as modified by the Saudi Arabian Monetary Authority ("SAMA") for the accounting of zakat and income tax, which requires, adoption of all International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") except for the application of International Accounting Standard (IAS) 12 - "Income Taxes" and IFRIC 21 - "Levies" so far as these relate to zakat and income tax. As per the SAMA circular number 381000074519 dated April 11, 2017 and subsequent amendments through certain clarifications relating to the accounting for zakat and income tax ("SAMA Circular"), the zakat and income tax are to be accrued through shareholders' equity under retained earnings.

Until 2016, the financial statements of the Company were prepared in accordance with IFRS. This change in framework resulted in a change in the presentation of zakat (as disclosed in Note 3.17) and the effects of this change are disclosed in Note 5 to the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.2 Accounting policies applied from January 1, 2017: Zakat and income taxes

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the Company is subject to zakat. As explained in Note 2.1, provision for zakat is charged to the statement of changes in shareholders' equity. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Until 2016, zakat was charged to the statement of comprehensive loss as per the requirements of IFRS. Therefore, the financial statements have been restated and the effects of the above change are disclosed in Note 5 to the financial statements.

2.3 Basis of preparation

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

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 (All amounts in Saudi Riyals thousands unless otherwise stated)

2.4 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 change in accounting policy as described in Note 3.17 below and 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, 2017 but had no significant financial impact on the financial statements of the Company:

Standard	Description
Amendment to IAS 7	Introduction of additional disclosures
Amendments to IAS 12	Recognition of deferred tax assets for unrealized losses
Annual improvements 2014-2016 (IFRS 12)	Disclosure of interests in other entities

The adoption of the above standards did not have any impact on the accounting policies, financial position or performance of the Company.

2.5 Standards, interpretations and amendments to published standards that will be effective for the periods commencing after January 1, 2018 and have not been early adopted by the Company

Certain new standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning January 1, 2018 or later periods, but have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

Title of standard	IFRS 9 <i>Financial instruments</i>
Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	<p>The Company has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on January 1, 2018:</p> <p>Classification and measurement</p> <p>The Company's financial assets that are currently measured at amortised cost would continue to be measured as such and there will be no change to the accounting for these assets. Currently, the Company does not have any financial asset carried at fair value.</p> <p>There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39. Financial Instruments: Recognition and Measurement and have not been changed.</p> <p>Impairment</p> <p>The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Company is in the process of completing its evaluation of the impact of the expected credit loss model on impairment of its financial assets which is expected to be completed before issuance of the interim financial information for the period ended March 31, 2018.</p>

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Title of standard

IFRS 16 Leases

Nature of change

Impact

st	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 profit 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 Company 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 profit 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.

3.6 Intangible assets

Intangible assets having definite lives are stated at cost less accumulated amortization and accumulated impairment, if any except for intangible assets under development which are carried at cost. Amortization is charged to profit or loss, using the straight-line method, to allocate the cost over the estimated useful lives not exceeding seven years. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amounts 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 Company and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to profit or loss in the period in which they arise.

1. The first part of the document is a letter from the President of the United States to the Congress, dated January 3, 1862. It is a very important document, as it contains the President's views on the state of the Union and the progress of the war.

2. The second part of the document is a report from the Secretary of the War Department, dated January 10, 1862. It contains a detailed account of the military operations of the Army during the year 1861, and a statement of the resources of the War Department.

3. The third part of the document is a report from the Secretary of the Navy Department, dated January 10, 1862. It contains a detailed account of the operations of the Navy during the year 1861, and a statement of the resources of the Navy Department.

4. The fourth part of the document is a report from the Secretary of the Department of the Interior, dated January 10, 1862. It contains a detailed account of the operations of the Department during the year 1861, and a statement of the resources of the Department.

5. The fifth part of the document is a report from the Secretary of the Department of the Treasury, dated January 10, 1862. It contains a detailed account of the operations of the Department during the year 1861, and a statement of the resources of the Department.

6. The sixth part of the document is a report from the Secretary of the Department of the State, dated January 10, 1862. It contains a detailed account of the operations of the Department during the year 1861, and a statement of the resources of the Department.

7. The seventh part of the document is a report from the Secretary of the Department of the War, dated January 10, 1862. It contains a detailed account of the operations of the Department during the year 1861, and a statement of the resources of the Department.

8. The eighth part of the document is a report from the Secretary of the Department of the Navy, dated January 10, 1862. It contains a detailed account of the operations of the Department during the year 1861, and a statement of the resources of the Department.

9. The ninth part of the document is a report from the Secretary of the Department of the Interior, dated January 10, 1862. It contains a detailed account of the operations of the Department during the year 1861, and a statement of the resources of the Department.

10. The tenth part of the document is a report from the Secretary of the Department of the Treasury, dated January 10, 1862. It contains a detailed account of the operations of the Department during the year 1861, and a statement of the resources of the Department.

AL TAYSEER ARABIAN COMPANY
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7 Net investment in finance leases

7.1 Reconciliation between gross and net investment in finance leases is as follows:

	2017	2016
Gross investment in finance leases	984,350	1,047,657
Unearned finance and insurance income	(181,002)	(165,331)
Present value of minimum lease payments receivable	803,348	882,326
Provision for impairment	(91,888)	(45,472)
Net investment in finance leases	711,460	836,854
Net investment in finance lease - non-current portion	(372,561)	(443,008)
Net investment in finance lease - current portion	338,899	393,846

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

	2017	2016
Gross investment in finance lease		
Not past due	804,010	905,768
Past due	180,340	141,889
	984,350	1,047,657
Net investment in finance lease		
Not past due	621,466	740,437
Past due	89,994	96,417
	711,460	836,854

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

	2017	2016
Past due gross finance lease receivables		
Up to 6 months	21,710	25,776
6 to 12 months	22,298	20,492
More than 12 months	136,332	95,621
	180,340	141,889
Past due net finance lease receivables		
Up to 6 months	21,883	24,059
6 to 12 months	16,299	13,087
More than 12 months	51,812	59,271
	89,994	96,417

430,788	439,318
233,073	382,309
139 488	60 699
803,348	882,326

7.5 Movement in provis

ws:

	2017	2016
January 1	45,472	28,197
Additions	46,416	17,275
December 31	91,888	45,472

The Company currently generates substantially all of its revenues from leasing of motor vehicles in the Kingdom of Saudi Arabia. More than 80% 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 Saudi Riyals 621 million neither past due nor impaired has satisfactory history of repayments.

8 Prepayments and other receivable

	2017	2016
Prepaid insurance		5,655
Insurance claims receivable		42,046
Other		11,089
		58,790
Provision for impairment		3 139
		55,651

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At December 31, 2017 and 2016, the Company had net outstanding insurance claims receivable amounting to Saudi Riyals 23.2 million from an insurance service provider with which the Company has suspended its business activities. The Group is currently under negotiation for settlement of such amounts at the Group level.

9 Property and equipment

	January 1, 2017	Additions	Transfers	December 31, 2017
2017				
Cost				
Buildings and leasehold improvements	720	538	152	1,410
Furniture, fixtures and office equipment	3,110	-	3,237	6,347
Motor vehicles	774	22	-	796
Capital work-in-progress	8,174	2,080	(9,980)	274
	<u>12,778</u>	<u>2,640</u>	<u>(6,591)</u>	<u>8,827</u>
Accumulated depreciation				
Buildings and leasehold improvements	(221)	(35)	-	(256)
Furniture, fixtures and office equipment	(1,512)	(515)	-	(2,027)
Motor vehicles	(725)	(20)	-	(745)
	<u>(2,458)</u>	<u>(570)</u>	<u>-</u>	<u>(3,028)</u>
	<u>10,320</u>			<u>5,799</u>
	January 1, 2016	Additions	Transfers	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
	<u>4,538</u>	<u>8,240</u>	<u>-</u>	<u>12,778</u>
Accumulated depreciation				
Buildings and leasehold improvements	(183)	(38)	-	(221)
Furniture, fixtures and office equipment	(1,160)	(352)	-	(1,512)
Motor vehicles	(680)	(45)	-	(725)
	<u>(2,023)</u>	<u>(435)</u>	<u>-</u>	<u>(2,458)</u>
	<u>2,515</u>			<u>10,320</u>

Also see Note 10 for transfer of costs of Saudi Riyals 6.6 million related to computer software to intangible assets.

AL TAYSEER ARABIAN COMPANY
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10 Intangible assets

	2017	2016
Cost		
January 1	-	-
Transfers from capital work-in-progress	6,591	-
December 31	6,591	-
Accumulated amortization		
January 1	-	-
Amortization for the year	(498)	-
December 31	(498)	-
	6,093	-

11 Accounts payable

	2017	2016
Trade	13,494	10,087

Amounts payable to AAC for purchase of vehicles in the ordinary course of business have been classified under due to related parties. See Note 14.

12 Accrued and other liabilities

	2017	2016
Salaries and benefits	1,864	3,526
Accrued purchases and others	9,911	9,461
	11,775	12,987

13 Long-term borrowings - Secured

As at December 31
 Less: current maturity shown under current liabilities

AL TAYSEER ARABIAN COMPANY
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Notes to the financial statements for the year ended December 31, 2017
 (All amounts in Saudi Riyals thousands unless otherwise stated)

14 Related party matters

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

14.1 Related party transactions

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

	2017	2016
Purchase of vehicles for leases from AAC	270,096	331,824
Shared service costs charged by AAC	7,612	8,389
Financial cost charged by AAC	4,598	15,203
Financial cost charged by AJHC	4,860	-
Insurance costs paid on behalf of the Company by AAC	-	16,895
Operating expenses paid on behalf of the Company by AAC	-	7,981

14.2 Key management personnel compensation

	2017	2016
Salaries and other employee benefits	3,678	5,294

14.3 Related party balances

(a) Due to related parties

	2017	2016
AAC		
- Trade	131,087	75,142
- Advances	-	303,585
	<u>131,087</u>	<u>378,727</u>
AJHC	95,946	-
Less: current portion	<u>(25,946)</u>	-
Non-current portion	<u>70,000</u>	-

Amounts due to AAC are set off on daily basis based on the collections made by the AAC on behalf of the Company. These amounts bear financial charges at prevailing variable market rates.

Balance due to AJHC is repayable in equal quarterly installments up to 2020. These amounts bear financial charges at prevailing variable market rates. A receivable balance of Saudi Riyals 26.1 million has been offset from the current portion of the above balance.

(b) Due from related parties

	2017	2016
	298	-
	20	-
	84	-
	11	-
	<u>413</u>	-

AL TAYSEER ARABIAN COMPANY
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16 Employee termination benefits

16.1 General description of the plan

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labour laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and the benefit payment obligation are met when due. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as of December 31, 2017.

16.2 Movement in net liability recognized in the statement of financial position

	2017	2016
January 1	9,278	8,719
Current service cost	1,874	1,481
Interest cost	248	177
Remeasurements	1,325	-
Benefits paid	(2,814)	(1,099)
December 31	9,911	9,278

16.3 Amounts recognized in statement of comprehensive loss

	2017	2016
Current service cost	1,874	1,481
Interest expense	248	177
Total amount recognised in profit or loss	2,122	1,658

Remeasurements

Experience losses	1,325	-
Total amount recognised in other comprehensive loss	1,325	-

16.4 Key actuarial assumptions

	31 December 2017	31 December 2016
Discount rate	3.0%	3.0%
Salary growth rate	3.0%	3.0%
Retirement age	60 years	60 years

16.5 Sensitivity analysis for actuarial assumptions

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	0.5%	(1,948)	910
Salary growth rate	0.5%	0.5%	863	(1,995)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

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16.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 15.7 years. The expected maturity analysis of employee benefit obligations (undiscounted) is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
31 December 2017	285	59	539	14,663	15,546

17 Share capital

The share capital of the Company comprises 400,000 shares as at December 31, 2017 and 2016 stated at Saudi Riyals 1,000 per share, owned as follows:

Shareholder	Country of incorporation/ nationality	Shareholding percentage	
		2017	2016
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

18 Statutory reserve

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, prior to the new Regulations for Companies issued in 2016, the Company is required to transfer 10% of the net income for the year to statutory reserve until it equals 50% of its share capital. The new Regulations for Companies require the Company to maintain a statutory reserve equal to at least 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company. No transfer was made in 2017 and 2016 due to losses incurred by the Company.

19 Selling and marketing expenses

	2017	2016
Salaries and benefits	15,994	21,995
Commissions and sales promotion	5,067	5,197
Advertising	2,433	823
Rental	1,588	3,040
Maintenance and cleaning	909	917
Subscriptions	318	586
Depreciation	156	128
Other	3,169	2,325
	29,634	35,011

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20 General and administrative expenses

	2017	2016
Salaries and benefits	12,578	10,037
Rental	1,124	827
Professional services	1,000	927
Depreciation and amortization	914	307
Travel and accommodation	1,054	733
Postage and communication	1,858	742
Administrative expenses charged by a shareholder	7,612	8,389
Other	1,527	1,620
	27,667	23,582

21 Contingency and commitments

Contingency

The contingency related to zakat is disclosed in Note 15 of these financial statements.

Commitments

The operating lease commitments for the Company's office premises are as fo

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AL TAYSEER ARABIAN COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2017
 (All amounts in Saudi Riyals thousands unless otherwise stated)

24 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 long term borrowings from commercial bank, loan balance due to AJHC and advances due to AAC. The management analyzes the gearing ratio as follows:

	2017	2016
Equity	341,749	456,679
Borrowings	272,337	336,990
Total	614,086	793,669
Gearing ratio (borrowings as a percentage of total)	44.35%	42.5%

25 Comparative figures

For better presentation, following reclassifications have been made in the comparative financial statements to conform to 2017 presentation.

- i. Bank deposits amounting to Saudi Riyals 3.341 million classified under current assets have been reclassified to non-current assets.
- ii. Provision for impairment of lease receivables amounting to Saudi Riyals 45.472 million netted from non-current portion of net investment in finance leases has been netted from current portion of net investment in finance leases.
- iii. Insurance premium payable amounting to Saudi Riyals 4.513 million under accounts payable has been reclassified and offset against the insurance claims receivable from the same insurance company under prepayments and other receivables.

26 Date of authorization of issue

The accompanying financial statements were authorized for issuance by the Board of Directors on May 6, 2018.