

**AL TAYSEER ARABIAN COMPANY**  
**(A closed joint stock company)**

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
AND INDEPENDENT AUDITOR'S REPORT

**AL TAYSEER ARABIAN COMPANY**  
**(A closed joint stock company)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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## **INDEPENDENT AUDITORS' SPECIAL PURPOSE REPORT**

May 10, 2016

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

### **Scope of audit**

We have audited the accompanying special purpose statement of financial position of Al Tayseer Arabian Company (the "Company") as of December 31, 2015 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 the financial statements. These special purpose financial statements, which were prepared by the Company in accordance with International Financial Reporting Standards (IFRS) 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, the financial statements taken as a whole present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and its financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

### **Emphasis of matter**

We draw attention to Note 1. During 2015, the Company was converted to a Saudi Closed Joint Stock Company from a limited liability company. In accordance with the Company's by-laws which were amended as a consequence of the conversion to a Saudi Closed Joint Stock Company, the first fiscal period of the Company after the conversion is from the date of the Ministerial Resolution for conversion to a Saudi Closed Joint Stock Company (April 1, 2015) to December 31, 2015. However, the accompanying 2015 financial statements have been prepared for the period from the end of the Company's last fiscal year-end (December 31, 2014) to December 31, 2015. Also the accompanying comparative 2014 financial statements are prepared for the period from the end of the Company's last fiscal year-end (December 31, 2013) to December 31, 2014. Accordingly, the accompanying financial statements do not represent the statutory financial statements as required by the Company's by-laws which should be prepared by the Company from the date of the Ministerial Resolution for conversion to a Saudi Closed Joint Stock Company (April 1, 2015) to December 31, 2015. The accompanying special purpose financial statements have been prepared solely for the use of management and for the purpose of filing with Saudi Arabian Monetary Agency.

PricewaterhouseCoopers

By: \_\_\_\_\_  
Omar M. Al Sagga  
License Number 369

**AL TAYSEER ARABIAN COMPANY**

(A closed joint stock company)

**Statement of financial position for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

		<b>As at December 31,</b>		<b>As at January 1,</b>
	<b>Note</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	13	9	8
Net investment in finance leases -current portion	6	454,646	417,083	334,272
Prepayments and other receivable	7	40,526	51,238	40,001
Due from a related party		-	-	86,490
		<b>495,185</b>	<b>468,330</b>	<b>460,771</b>
<b>Non-current assets</b>				
Net investment in finance leases - non-current portion	6	479,831	711,813	890,292
Property and equipment	8	2,515	7,428	4,311
		<b>482,346</b>	<b>719,241</b>	<b>894,603</b>
<b>Total assets</b>		<b>977,531</b>	<b>1,187,571</b>	<b>1,355,374</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	9	4,410	2,225	13,134
Accrued and other liabilities	10	4,702	3,218	2,158
Due to a shareholder	11	221,969	268,755	398,075
Zakat payable	12	34,318	79,957	53,041
		<b>265,399</b>	<b>354,155</b>	<b>466,408</b>
<b>Non-current liabilities</b>				
Due to a shareholder	11	240,466	386,745	461,699
Employee termination benefits	13	8,719	7,662	6,101
		<b>249,185</b>	<b>394,407</b>	<b>467,800</b>
<b>Total liabilities</b>		<b>514,584</b>	<b>748,562</b>	<b>934,208</b>
<b>Shareholders' equity</b>				
Share capital	14	400,000	400,000	400,000
Statutory reserve	15	6,294	3,901	2,117
Retained earnings		56,653	35,108	19,049
<b>Total shareholders' equity</b>		<b>462,947</b>	<b>439,009</b>	<b>421,166</b>
<b>Total liabilities and shareholders' equity</b>		<b>977,531</b>	<b>1,187,571</b>	<b>1,355,374</b>

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

**AL TAYSEER ARABIAN COMPANY****(A closed joint stock company)****Statement of comprehensive income for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)**

	<b>Note</b>	<b>Year ended December 31,</b>	
		<b>2015</b>	<b>2014</b>
Income from finance leases, net		<b>150,473</b>	197,551
<b>Expenses</b>			
Provision for impairment	6, 7	<b>(10,042)</b>	(8,457)
Insurance and other cost of financed vehicles		<b>(57,188)</b>	(55,265)
Selling and marketing	16	<b>(29,143)</b>	(30,959)
General and administrative	17	<b>(38,523)</b>	(26,344)
Net operating income		<b>15,577</b>	76,526
<b>Other income (expenses)</b>			
Financial charges		<b>(14,094)</b>	(31,130)
Other (expenses) income, net		<b>(1,397)</b>	2,363
Income before zakat		<b>86</b>	47,759
Reversal / (Provision) of Zakat charge, net	12	<b>23,852</b>	(29,916)
<b>Net income for the year</b>		<b>23,938</b>	17,843
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income</b>		<b>23,938</b>	17,843

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

**AL TAYSEER ARABIAN COMPANY****(A closed joint stock company)****Statement of Cash flows for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)**

		<b>Year ended December 31,</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>			
Income before zakat		86	47,759
<u>Adjustments for non-cash items</u>			
Provision for impairment, net of write offs	6,7	9,094	8,457
Depreciation	8	381	331
Gain on disposal of property and equipment		(9)	(13)
Write-off of construction in progress		3,554	-
Financial charges		14,094	31,130
<u>Changes in working capital</u>			
Lease receivables		185,456	87,211
Due from a related party		-	86,490
Prepayments and other receivable		10,581	(11,237)
Accounts payable		2,185	(10,909)
Accrued and other liabilities		1,484	1,060
Finance cost paid		(14,094)	(31,130)
Zakat paid		(21,787)	(3,000)
Employee termination benefits		1,057	1,561
Net cash generated from operating activities		<u>192,082</u>	<u>3,436</u>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	8	(2,917)	(3,511)
Proceeds from disposal of property and equipment		119	76
Net cash utilized in investing activities		<u>(2,798)</u>	<u>(3,435)</u>
<b>Cash flows from financing activity</b>			
Due to a shareholder		(189,280)	(207,710)
Net cash utilized in financing activity		<u>(189,280)</u>	<u>(207,710)</u>
<b>Net increase in cash and cash equivalents</b>		4	1
Cash and cash equivalents at beginning of year		9	8
<b>Cash and cash equivalents at end of year</b>	5	<u>13</u>	<u>9</u>
<b>Supplemental cash flows information</b>			
<u>Non-cash financing activity:</u>			
Construction in progress transferred to shareholder		<u>3,785</u>	-

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

**AL TAYSEER ARABIAN COMPANY****(A closed joint stock company)****Statement of changes in shareholders' equity for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)**

	<b>Note</b>	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Retained earnings</b>	<b>Total</b>
<b>January 1, 2015</b>		<b>400,000</b>	<b>3,901</b>	<b>35,108</b>	<b>439,009</b>
Total comprehensive income for the year		-	-	23,938	<b>23,938</b>
Transfer to statutory reserve	15	-	2,393	(2,393)	-
<b>December 31, 2015</b>		<b>400,000</b>	<b>6,294</b>	<b>56,653</b>	<b>462,947</b>
<b>January 1, 2014</b>		<b>400,000</b>	<b>2,117</b>	<b>19,049</b>	<b>421,166</b>
Total comprehensive income for the year		-	-	17,843	<b>17,843</b>
Transfer to statutory reserve	15	-	1,784	(1,784)	-
<b>December 31, 2014</b>		<b>400,000</b>	<b>3,901</b>	<b>35,108</b>	<b>439,009</b>

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

## **AL TAYSEER ARABIAN COMPANY**

**(A closed joint stock company)**

**Notes to the financial statements for the year ended December 31, 2015**

(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 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.

The Company also holds equity interest in International Refreshments Company ("IRC") which was acquired during 2014, on behalf of ABC under trustee arrangements. Accordingly, such equity interest has not been recorded in the Company's books of accounts.

The Ministry of Commerce and Industry has approved the conversion of the Company to a Saudi Closed Joint Stock Company on dated April 1, 2015. In accordance with the Company's Articles of Association which were amended as a consequence of conversion to a Saudi closed joint stock company, the first fiscal period of the Company after the conversion is from the date of the Ministerial Resolution for conversion to a closed Saudi joint stock company (April 1, 2015) to December 31, 2015. However, the accompanying 2015 financial statements have been prepared for the period from the end of the Company's last fiscal year-end (December 31, 2014) to December 31, 2015. Also the accompanying comparative 2014 financial statements are prepared for the period from the end of the Company's last fiscal year-end (December 31, 2013) to December 31, 2014. Accordingly, the accompanying special purpose financial statements do not represent the statutory financial statements required by the Company's by-laws which should be prepared by the Company from the date of the Ministerial Resolution for conversion to a Saudi closed joint stock company (April 1, 2015) to December 31, 2015. These special purpose financial statements have been prepared solely for the use of management and for the purpose of filing with Saudi Arabian Monetary Agency.

As per the Company's By-laws, the Company's first financial period, under the closed joint stock status, started from the date of conversion (April 1, 2015) to December 31, 2015. The Company's financial statements for the subsequent years will begin on January 1 and end on December 31 of each Georgian year.

### **2 Basis of preparation**

#### **2.1 Compliance with IFRS**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC).

#### **2.2 First time adoption of IFRS**

These are the Company's first financial statements prepared in accordance with IFRS and IFRS 1 "First time adoption of international financial reporting standards". For periods up to and including the year ended 31 December 2014, the Company's financial statements were prepared in accordance with the accounting standards promulgated by the Saudi Organisation for Certified Public Accountant (SOCPA). Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at December 31, 2015, together with the comparative period financial information for the year ended 31 December 2014. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2014, the Company's date of transition to IFRS.

The adoption of IFRS, does not have any significant impact on the statement of financial position, performance, cash flows and changes in equity. However, presentation and disclosures in the notes to the financial statements for current and comparative year have been amended in line with requirements of IFRS.

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.

**AL TAYSEER ARABIAN COMPANY****(A closed joint stock company)****Notes to the financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)**

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.

**2.3 Historical cost convention**

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policy below.

**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.

## **AL TAYSEER ARABIAN COMPANY**

(A closed joint stock company)

### **Notes to the financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

#### **3.6 Property and equipment**

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment, if any, except construction 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 years
• Machinery and equipment	5
• 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.

**AL TAYSEER ARABIAN COMPANY****(A closed joint stock company)****Notes to the financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)****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 Department of Zakat and Income Tax ("DZIT"), 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.

**AL TAYSEER ARABIAN COMPANY****(A closed joint stock company)****Notes to the financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)****3.16 New standards or amendments not yet adopted**

The Company has chosen not to early adopt the following new standards and revisions to existing standard which are relevant to the operations of the Company and which have been published:

- **IFRS 9: Financial instruments (effective date January 1, 2018)**

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. The Company will be assessing the implications of IFRS 9 in due course.

- **IFRS 16: Leases (effective date January 1, 2019)**

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its lease as operating leases or finance leases, and to account for those two types of lease differently. IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. Management is currently assessing the impact of the new requirements relating to its operating lease activities.

The following new or amended standards are not expected to have a significant impact on the Company's financial statements:

	<b>Effective date</b>
Annual improvements to IFRSs 2012 to 2014 cycle	January 1, 2016
Accounting for acquisitions of interests in Joint Operations (Amendments to IFRS 11)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (Amendments to IAS 16 and IAS 38)	January 1, 2016
IFRS 15: Revenue from customers	January 1, 2017

**4 Critical accounting estimates and assumptions**

The preparation of the financial statements in conformity with IFRSs 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:

- 1- Impairment provision- note 3.7 and note 6
- 2- Provision of zakat and income tax - note 12

**5 Cash and cash equivalents**

	<b>2015</b>	<b>2014</b>
Cash at bank	6	9
Cash in hand	7	-
	<b>13</b>	<b>9</b>

**6 Net investment in finance leases**

	<b>2015</b>	<b>2014</b>
Gross investment in finance leases	1,124,555	1,373,046
Unearned finance income	(161,881)	(224,917)
Present value of minimum lease payments receivable	962,674	1,148,129
Provision for impairment	(28,197)	(19,233)
Net investment in finance leases	934,477	1,128,896
Investment in finance lease – non-current portion	(479,831)	(711,813)
Investment in finance lease - current portion	454,646	417,083

**AL TAYSEER ARABIAN COMPANY****(A closed joint stock company)****Notes to the financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	2015	2014
<b>Gross investment in finance lease</b>		
Not past due	1,029,885	1,306,363
Past due	94,670	66,683
	<b>1,124,555</b>	<b>1,373,046</b>
<b>Net investment in finance lease</b>		
Not past due	875,099	1,081,432
Past due	59,378	47,464
	<b>934,477</b>	<b>1,128,896</b>

**6.2 Aging analysis of past due receivables is as follows:**

	2015	2014
<b>Past due gross receivables</b>		
Up to 6 months	20,810	21,405
6 to 12 months	15,753	16,306
More than 12 months	58,107	28,972
	<b>94,670</b>	<b>66,683</b>
<b>Past due net receivables</b>		
Up to 6 months	16,177	19,221
6 to 12 months	8,996	9,405
More than 12 months	34,205	18,838
	<b>59,378</b>	<b>47,464</b>

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

	2015	2014
<b>Gross investment in finance leases</b>		
Within one year	555,832	565,015
From one to three years	470,033	637,298
Three to five years	98,690	170,733
	<b>1,124,555</b>	<b>1,373,046</b>
<b>Present value of minimum lease payments receivable</b>		
Within one year	461,363	436,369
From one to three years	412,109	547,079
Three to five years	89,202	164,681
	<b>962,674</b>	<b>1,148,129</b>

**6.4 Movement in provision for doubtful lease receivables is as follows:**

	2015	2014
January 1	19,233	10,776
Additions, net	8,964	8,457
December 31	<b>28,197</b>	<b>19,233</b>

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 leases 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 693 million neither past due nor impaired has satisfactory history of repayments.

**AL TAYSEER ARABIAN COMPANY****(A closed joint stock company)****Notes to the financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**7 Prepayments and other receivable**

	2015	2014
Prepaid insurance	7,590	11,635
Insurance claims receivable	25,568	32,741
Other	10,223	9,587
	<u>43,381</u>	<u>53,963</u>
Provisions for impairment	(2,855)	(2,725)
	<u>40,526</u>	<u>51,238</u>

Movement in provision for doubtful other receivables are as follows:

	2015	2014
January 1	2,725	995
Additions	1,078	1,730
Write-offs	(948)	-
	<u>2,855</u>	<u>2,725</u>

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, 2015	Additions	Disposals / Write-offs	December 31, 2015
<b>2015</b>				
<b>Cost</b>				
Buildings and leasehold improvements	443	218	-	661
Machinery and equipment	5	-	-	5
Furniture, fixtures and office equipment	1,376	390	-	1,766
Motor vehicles	720	175	(143)	752
Construction in progress	6,559	2,134	(7,339)	1,354
	<u>9,103</u>	<u>2,917</u>	<u>(7,482)</u>	<u>4,538</u>
<b>Accumulated depreciation</b>				
Buildings and leasehold improvements	(154)	(29)	-	(183)
Machinery and equipment	(5)	-	-	(5)
Furniture, fixtures and office equipment	(920)	(235)	-	(1,155)
Motor vehicles	(596)	(117)	33	(680)
	<u>(1,675)</u>	<u>(381)</u>	<u>33</u>	<u>(2,023)</u>
	<u>7,428</u>			<u>2,515</u>

**AL TAYSEER ARABIAN COMPANY**

(A closed joint stock company)

**Notes to the financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	January 1, 2014	Additions	Disposals / Write-offs	December 31, 2014
<b>2014</b>				
<b>Cost</b>				
Buildings and leasehold improvements	578	-	(135)	443
Machinery and equipment	5	-	-	5
Furniture, fixtures and office equipment	1,105	271	-	1,376
Motor vehicles	722	53	(55)	720
Construction in progress	3,372	3,187	-	6,559
	<u>5,782</u>	<u>3,511</u>	<u>(190)</u>	<u>9,103</u>
<b>Accumulated depreciation</b>				
Buildings and leasehold improvements	(186)	(40)	72	(154)
Machinery and equipment	(4)	(1)	-	(5)
Furniture, fixtures and office equipment	(703)	(217)	-	(920)
Motor Vehicles	(578)	(73)	55	(596)
	<u>(1,471)</u>	<u>(331)</u>	<u>127</u>	<u>(1,675)</u>
	<u>4,311</u>			<u>7,428</u>

**9 Accounts payable**

	2015	2014
Arabia Insurance Cooperative Company	<u>4,410</u>	<u>2,225</u>
	<u>4,410</u>	<u>2,225</u>

**10 Accrued and other liabilities**

	2015	2014
Salaries, wages and benefits	637	1,914
Accruals	<u>4,065</u>	<u>1,304</u>
	<u>4,702</u>	<u>3,218</u>

**11 Related party matters**

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

**11.1 Related party transactions**

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

	2015	2014
Net lease receivable added during the year – AAC	229,971	398,246
Collections made by the Company on behalf of AAC	43,062	60,590
Shared service costs – AAC	13,428	14,953
Insurance costs paid on behalf of the Company – AAC	46,805	85,712
Operating expenses paid on behalf of the Company – AAC	28,126	38,153
Financial cost charged by AAC	11,739	32,437
Key management compensation (represents Directors and Departments heads remuneration)	5,515	4,596

**AL TAYSEER ARABIAN COMPANY****(A closed joint stock company)****Notes to the financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)****11.2 Due to a shareholder**

Payable to a shareholder represents payable to AAC for the purchases of vehicles. These balances bear financial charges at the prevailing variable market rates. The payable amount is set off on daily basis based on the collections made by the AAC on behalf of the Company. Amounts which are not expected to be repaid to AAC within twelve months from the date of the balance sheet are shown under the non-current liabilities.

**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:

	2015	2014
Share capital	400,000	400,000
Statutory reserve	3,901	2,117
Retained earnings	35,108	19,049
Provisions	28,282	17,541
Shareholder loan obligations at the end of the year	462,435	655,500
Adjusted net income	11,185	59,507
Zakat payable	79,957	50,041
Other additions	407	331
Property, plant and equipment, net (as adjusted)	(2,515)	(7,428)
Net investment in finance leases	(962,674)	-
Zakat base	56,086	1,196,658

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

**12.2 Provision for zakat**

	2015	2014
January 1	79,957	53,041
Provision for the year	1,402	29,916
Reversal of provision related to prior years	(25,254)	-
Payments	(21,787)	(3,000)
December 31	34,318	79,957

**12.3 Zakat status**

The zakat declaration is filed at the consolidated level of the AJHC group. During the year, the assessment relating to the years 2011, 2012 and 2013 have been finalized and accordingly the zakat provision for prior years has been reversed and zakat provision of SR 24 million related to the net investment in finance leases has not been accounted for during 2015 as the management strongly believes that the net investment in finance leases will not be subject to zakat and based on consultants' advise currently it's an industry wide issue and probably the ultimate decision will be in favor of the Companies. Further, additional Zakat charge over and above the provision as at December 31, 2015, if any, will be borne by the AJHC group.

**13 Employee termination benefits**

	2015	2014
January 1	7,662	6,101
Provisions	2,395	1,892
Payments	(1,338)	(331)
December 31	8,719	7,662

**AL TAYSEER ARABIAN COMPANY****(A closed joint stock company)****Notes to the financial statements for the year ended December 31, 2015**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**14 Share capital**

The share capital of the Company comprises of 400,000 shares as at December 31, 2015 and 2014 stated at Saudi Riyals 1,000 per share, owned as follows:

Shareholder	Country of incorporation	Shareholding percentage	
		2015	2014
AAC	Saudi Arabia	98	98
Mr. Mohammed Abdul Aziz Abdullah Al Jomaih		1	1
Mr. Hamad Abdul Aziz Abdullah Al Jomaih		1	1
		<b>100</b>	<b>100</b>

**15 Statutory reserve**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the net income for the year to a statutory reserve until such reserve equals 50% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company.

**16 Selling and marketing expenses**

	2015	2014
Salaries and benefits	18,868	19,567
Commissions and sales promotion	2,226	3,321
Rental	2,175	2,445
Maintenance and cleaning	2,271	1,313
Subscriptions	1,145	1,385
Depreciation	165	216
Other	2,293	2,712
	<b>29,143</b>	<b>30,959</b>

**17 General and administrative expenses**

	Note	2015	2014
Salaries and benefits		14,221	9,180
Rental		1,568	1,926
Professional services		1,379	1,072
Depreciation		216	115
Construction in progress write-off		3,554	-
Other		1,600	1,585
Administrative expenses charged by a shareholder	10	15,985	12,466
		<b>38,523</b>	<b>26,344</b>

**18 Contingency and commitments****Contingency**

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

**Commitments**

As at balance sheet date, the Company's commitments to extend credit on lease contracts amounted to SR 1.17 million and SR 0.6 million, respectively.

**AL TAYSEER ARABIAN COMPANY****(A closed joint stock company)****Notes to the financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)**

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

	2015	2014
Less than one year	1,170	600
More than a year and less than five years	-	-
Total	1,170	600

**19 Fair values of financial assets and financial liabilities**

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

**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.

Where available, the fair value of net investment in finance lease is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include information obtained from other market participants, which includes observed primary and secondary transactions.

**Fair value hierarchy of financial assets and financial liabilities**

The fair value of financial assets and liabilities measured at amortised cost which approximate to their fair value.

**Accounting classification and carrying values of financial assets and financial liabilities**

Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values. All financial assets and financial liabilities of the Company are categorised as held at amortized cost.

**20 Financial instruments and risk management**

The Company's activities expose it to a variety of financial risks: market risk (including currency 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.

**AL TAYSEER ARABIAN COMPANY****(A closed joint stock company)****Notes to the financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)**

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 SME's and corporate customers, the company focuses on the financial position, cash flow module, 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 position date, past due but not fully impaired balances amounting to SR 94.67 million out of which SR 73.8 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 472 million net commission bearing financial assets. The change of 1% in commission rates could have approximately SR 4.7 million annual effect on the Company's profitability.

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.

**20.4 Liquidity risk**

Liquidity risk reflects the Company's inability in raising funds to meet financial commitments. As at December 31, 2015, the Company's contractual maturities of financial liabilities are of SR 228 million, SR 211 million and SR 45 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 AJHC group. As at balance sheet date, based on the following maturity profile the Company does not have significant exposure to liquidity risk.

**AL TAYSEER ARABIAN COMPANY****(A closed joint stock company)****Notes to the financial statements for the year ended December 31, 2015****(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Up to one year	One to three years	More than three years	Total
<b>Financial assets - commission bearing:</b>				
Net investment in finance leases	454,218	396,262	83,997	934,477
<b>Financial assets - non commission bearing:</b>				
Cash and bank balances	13	-	-	13
Other receivables	32,936	-	-	32,936
	<u>487,167</u>	<u>396,262</u>	<u>83,997</u>	<u>967,426</u>
<b>Financial liabilities - commission bearing:</b>				
Due to shareholders	221,969	198,847	41,619	462,435
<b>Financial liabilities - non commission bearing:</b>				
Accounts payable	4,410	-	-	4,410
Accrued and other liabilities	4,702	-	-	4,702
	<u>223,081</u>	<u>198,847</u>	<u>41,619</u>	<u>471,547</u>
<b>Net financial assets:</b>				
Commission bearing	232,677	197,415	41,950	509,239
Non commission bearing	23,837	-	-	23,837
	<u>256,514</u>	<u>197,415</u>	<u>41,950</u>	<u>495,879</u>

**21 Capital risk management**

The Company's objective when managing capital are 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 optimal capital structure to reduce the cost of capital. The management analyzes the gearing ratio as follows:

	2015	2014
Equity	<u>462,947</u>	439,009
Borrowings - due to a shareholder	<u>462,435</u>	655,500
Gearing ratio	<u>49.9%</u>	59.9%

**22 Comparative figures**

Certain prior period figures for 2014 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 management on May 10, 2016.