American Express (Saudi Arabia) Limited

FINANCIAL STATEMENTS

31 OCTOBER 2015

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AUDITORS' REPORT TO THE PARTNERS OF AMERICAN EXPRESS (SAUDI ARABIA) LIMITED

Scope of audit

We have audited the accompanying balance sheet of American Express (Saudi Arabia) Limited (the "Company") as at 31 October 2015 and the related statements of income, cash flows and changes in partners' equity for the period from 1 January 2015 to 31 October 2015 (the "period"). These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of Article 175 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion

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

i) present fairly, in all material respects, the financial position of the Company as at 31 October 2015 and the results of its operations and cash flows for the period then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

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

Emphasis of a matter:

Without qualifying our opinion, we draw attention to note 1 to the financial statements. As stated therein, the Company was converted from a limited liability company to a joint stock company on 1 November 2015. These financial statements are prepared for the financial period from 1 January 2015 to 31 October 2015, being the closing statutory financial statements of the limited liability company. The comparative information is for the year ended and as at 31 December 2014.

for Ernst & Young

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

Riyadh: 14 Jumad Awal 1437H
(23 February 2016)

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BALANCE SHEET

As at 31 October 2015

	Notes	*31 October 2015 SR'000*	*31 December 2014 SR'000*
ASSETS			
CURRENT ASSETS			
Bank balances and cash	3	**25,383**	9,363
Card members' receivable, net	4	**825,007**	728,802
Prepaid expenses and other assets		**15,379**	11,843
TOTAL CURRENT ASSETS		**865,769**	750,008
NON CURRENT ASSET			
Property and equipment	5	**32,082**	33,964
TOTAL ASSETS		**897,851**	783,972
LIABILITIES AND PARTNERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals	6	**87,880**	99,788
Short term borrowing facilities	7	**267,047**	304,922
Due to related parties	8	**11,166**	13,732
Card members' margins	9	**50,518**	44,565
Membership rewards	10	**38,530**	34,217
Deferred card membership fees	11	**23,669**	18,401
Zakat and income tax	12	**11,471**	7,056
TOTAL CURRENT LIABILITIES		**490,281**	522,681
NON CURRENT LIABILITY			
Employees' terminal benefits	13	**24,139**	20,510
TOTAL LIABILITIES		**514,420**	543,191
PARTNERS' EQUITY			
Capital	14	**10,000**	10,000
Proposed capital increase	15	**90,000**	90,000
Statutory reserve	16	**5,000**	5,000
Retained earnings		**278,431**	135,781
TOTAL PARTNERS' EQUITY		**383,431**	240,781
TOTAL LIABILITIES AND PARTNERS' EQUITY		**897,851**	783,972

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF INCOME

For the period from 1 January 2015 to 31 October 2015

	Notes	*For the period from 1 January 2015 to 31 October 2015 SR'000*	*For the year ended 31 December 2014 SR'000*
Merchant transaction fees, net	20	**134,386**	142,670
Foreign exchange income		**75,664**	83,257
Special commission income		**53,275**	63,709
Annual card fees	11	**48,266**	50,145
Late payment charges		**15,004**	17,014
Other income		**10,378**	13,008
Gross revenue		**336,973**	369,803
Less: Rebates and discounts, net of reversal		**(784)**	(2,995)
NET REVENUE		**336,189**	366,808
EXPENSES			
Employee related expenses		**81,113**	85,686
Data processing expenses		**23,689**	25,055
Marketing and promotion expenses		**18,651**	23,544
Membership rewards		**15,652**	14,563
Contractual services		**12,229**	13,464
Depreciation	5	**8,783**	9,869
Rent and related expenses		**7,305**	8,682
Finance charges		**5,289**	15,157
Telecommunication expenses		**4,294**	4,764
Card member benefits		**2,694**	2,974
Provision for card membership fees	4(b)	**2,120**	2,459
Provision for fraud losses	6(a)	**947**	547
Provision for (reversal of) card members' receivables, net of recoveries	4(a)	**956**	(5,249)
Other general and administration expenses		**6,602**	11,451
TOTAL EXPENSES		**190,324**	212,966
NET INCOME FOR THE PERIOD / YEAR		**145,865**	153,842

The attached notes 1 to 24 form part of these financial statements.

American Express (Saudi Arabia) Limited

STATEMENT OF CASH FLOWS

For the period from 1 January 2015 to 31 October 2015

	Notes	*For the period from 1 January 2015 to 31 October 2015 SR'000*	*For the year ended 31 December 2014 SR'000*
OPERATING ACTIVITIES			
Net income for the period / year		**145,865**	153,842
Adjustments for:			
Depreciation of property and equipment	5	**8,783**	9,869
Loss on impairment of property and equipment		-	15
Provision for (reversal of) card members' receivables, net of recoveries	4(a)	**956**	(5,249)
Provision for card membership fees	4(b)	**2,120**	2,459
Provision for fraud losses	6(a)	**947**	547
Employees' terminal benefits, net	13	**4,273**	2,799
Operating cash flows before working capital changes		**162,944**	164,282
Changes in operating assets and liabilities:			
Card members' receivables		**(99,281)**	(361,127)
Prepaid expenses and other assets		**(3,536)**	(1,651)
Accounts payable and accruals		**(12,855)**	8,819
Due to related parties		**10,497**	(39,734)
Card members' margins		**5,953**	12,433
Membership rewards		**4,313**	10,008
Deferred card membership fees		**5,268**	2,203
Cash from (used in) operations		**73,303**	(204,767)
Zakat and income tax paid	12	**(11,863)**	(11,865)
Employees' terminal benefits paid	13	**(644)**	(1,625)
Net cash from (used in) operating activities		**60,796**	(218,257)
INVESTING ACTIVITY			
Purchase of property and equipment	5	**(6,901)**	(16,324)
Net cash used in investing activity		**(6,901)**	(16,324)
FINANCING ACTIVITIES			
Proceeds from short term loans		**1,830,875**	1,122,172
Repayment of short term loans		**(1,868,750)**	(817,250)
Capital contribution by partners	15	-	31,999
Dividends paid, net		-	(106,353)
Net cash (used in) from financing activities		**(37,875)**	230,568
INCREASE (DECREASE) IN BANK BALANCES AND CASH		**16,020**	(4,013)
Bank balances and cash at beginning of the period / year	3	**9,363**	13,376
BANK BALANCES AND CASH AT END OF THE PERIOD / YEAR	3	**25,383**	9,363

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN PARTNERS' EQUITY

For the period from 1 January 2015 to 31 October 2015

	Capital SR'000	*Proposed capital increase SR'000*	*Statutory reserve SR'000*	*General reserve SR'000*	*Retained earnings SR'000*	*Total SR'000*
Balance at 1 January 2014	10,000	-	5,000	39,972	119,384	174,356
Net income for the year	-	-	-	-	153,842	153,842
Dividends (note 18)	-	-	-	-	(117,265)	(117,265)
Provision for zakat and income tax (note 12)	-	-	-	-	(13,063)	(13,063)
Reimbursement of zakat and income tax	-	-	-	-	10,912	10,912
Transfer to the general reserve (note17)	-	-	-	13,029	(13,029)	-
Proposed capital increase (note 15)	-	90,000	(5,000)	(53,001)	-	31,999
Transfer to the statutory reserve	-	-	5,000	-	(5,000)	-
Balance at 31 December 2014	10,000	90,000	5,000	-	135,781	240,781
Net income for the period	-	-	-	-	145,865	145,865
Provision for zakat and income tax (note 12)	-	-	-	-	(16,278)	(16,278)
Reimbursement of zakat and income tax	-	-	-	-	13,063	13,063
Balance at 31 October 2015	**10,000**	**90,000**	**5,000**	**-**	**278,431**	**383,431**

1 ACTIVITIES

American Express (Saudi Arabia) Limited (the "Company") is a limited liability company incorporated in Kingdom of Saudi Arabia. The Company is a joint venture equally owned by Amex (Middle East) B.S.C. (C), ("AEME"), a company incorporated in the Kingdom of Bahrain as an exempt closed joint stock company and The Saudi Investment Bank ("SAIB"), a bank incorporated in the Kingdom of Saudi Arabia.

The Company operates under commercial registration No. 1010183222 issued in Riyadh on 27 Shawal 1423H (corresponding to 31 December 2002) and Service License No. 110/1 dated 13 Muharram 1423H (corresponding to 12 April 2002) issued by the Saudi Arabian General Investment Authority. The Saudi Arabian Monetary Agency ("SAMA") has issued the Implementing Regulation of the Finance Companies Control Law which was published on 24 February 2013 following the Finance Companies Control Law (the "laws") published on 27 August 2012. These laws have given existing companies a grace period of two years to align their current position with the new law's requirements. The Company has submitted its plan and the application for license. The Company's head office is located in Riyadh. The Company has the following branches:

Branch Commercial Registration Number	*Date*	*Location*
2051041721	2 Safar 1431H	Khobar
4030189461	11 Jamada Awal 1430H	Jeddah
DMCC-69544	23 December 2013	Dubai, United Arab Emirates

The Company is licensed by American Express Travel Related Services ("AETRS") to operate card and merchant establishment business in the Kingdom of Saudi Arabia.

Pursuant to the Ministry of Commerce and Industry Resolution numbered 14/K dated 19 Muharram 1437 (corresponding to 1 November 2015), the Company has been converted from a limited liability company to a Saudi closed joint stock company. As per the regulations of the Ministry of Commerce and Industry ("MOCI") in the Kingdom of Saudi Arabia, the Company's first financial year (after it became a joint stock company) commences from the date of conversion (i.e. 1 November 2015) till 31 December of the following year (i.e. 31 December 2016). These financial statements covering the period from 1 January 2015 to 31 October 2015 (i.e. covering the current financial period) are accordingly prepared in compliance with MOCI regulations. These financial statements are the last statutory financial statement of the Company as a limited liability company. The comparative information is for the year ended and as at 31 December 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies, applied consistently, are as follows:

Accounting convention
These financial statements are prepared under the historical cost convention. The amounts presented in the financial statements are in Saudi Riyals and have been rounded off to the nearest thousand (SR'000) unless specifically set out herein.

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

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents consists of bank balances and cash on hand.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Card members' receivable
Card members' receivables are originated by the Company and are initially measured at fair value – which is the cash consideration to originate the receivable including transaction costs. Following initial recognition, the receivables are stated at amortised cost.

The Company uses a financial model where the past history is used to determine required provision. Receivables from 'revolve' and 'charge' ("revolve" and "charge" are the Company's primary card products) card members receivables are written off, if these are outstanding for more than 180 days.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Capital work in progress is not depreciated. The cost less estimated residual value of other property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. Expenditure for repair and maintenance are charged to the statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalised.

Derecognition of financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either:
- the Company has transferred substantially all the risks and rewards of the asset or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Accounts payable and Accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when an obligation (legal or constructive) arises from a past event, and the costs to settle the obligation are both probable and may be measured reliably by the Company.

Loans and borrowings
Interest bearing loans and borrowings are measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of income when the liabilities are derecognised as well as through the EIR amortisation process.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the balance sheet, if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Operating leases
Leases that do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight line basis over the lease term.

Card member margins
Card member margins represent amounts received from card members. The Company is entitled to set-off card member margins against amounts due from card members, but does not intend to do so unless in the event of default.

Deferred revenue
Card fees
Deferred card member ship fees represent the unexpired portion of annually charged new card fees and renewal card fees, net of provision.

Membership rewards
The Company's Membership Rewards Loyalty Program ("MRLP") allows card members to earn points that can be redeemed for a broad range of travel rewards, retail merchandise and gifts. The Company estimates the fair value of MRLP based on a product of weighted average cost, the ultimate redemption rate (factor of points which are ultimately expected to be redeemed by program members) and a reasonable profit margin. The cumulative liability for unredeemed points is adjusted over time based on actual redemption.

The Company makes payments to merchants when card members redeem their points.

Zakat and income tax
Zakat and income tax is provided in accordance with the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia and on an accrual basis. The liability is charged to retained earnings. Accordingly, amounts reimbursable by the partners of such zakat and income tax are credited to retained earnings.

Employees' terminal benefits
Provision is made for amounts payable under the Saudi Arabian Labour Law applicable to employees' accumulated periods of service at the balance sheet date.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The following specific recognition criteria must also be met before revenue is recognised.

Merchant transaction fees
Merchant transaction fees is the revenue earned by the Company which arises as a result of usage of the American Express cards issued by the Company as well as by issuers outside Kingdom of Saudi Arabia ('swipe of the card' at merchant's establishments approved by the Company) by its customers. Merchant transaction fees is recognised upon capture of record of charges submitted by service / merchant establishments to the Company. Merchant transaction fees includes net revenue from loyalty programmes, as set out below.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from loyalty programmes - Membership rewards
The Company's MRLP allows cardmembers to earn points that can be redeemed for a broad range of travel rewards, retail merchandise and gifts. The Company estimates the fair value of points 'awarded and deferred' by applying a marked up average cost per point on statistically derived expected redemptions.

MRLP under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the award credits and other components of the sale. The fair value of the award credits issued is deferred and recognised as revenue when the award credits are redeemed.

The cumulative liability for unredeemed points is adjusted over time based on actual experience and current trends with respect to redemption.

Special commission income
Special commission income is recognised primarily in the period in which they are charged to the cardmembers. Special commission income is accrued based upon the amount outstanding with the cardmembers on an effective rate basis in accordance with the terms of the applicable agreement until the outstanding balance is fully settled.

Card fees
Annual card fees billed to card members on admission to membership and on each anniversary of their admission are deferred, along with the fee reversal provision, and taken to the income statement over the period that the fees entitle the card members to use their cards.

Late payment charges
Late payment charges are recognised upon levy of charges to delinquent card member accounts.

Foreign exchange
Foreign exchange income represents income earned on foreign exchange rate differences upon converting cardmember expenditures in a currency other than the billing currency.

Costs and expenses
All indirect expenses incurred for the Company's activities are reported in the statement of income.

Fraud losses
Provision for losses due to fraud is estimated by management based on the Company's historical experience.

Dividends
Dividends declared are recognised as a liability and deducted from partners' equity when they are approved by the Company's partners.

Factoring charges
Factoring charges arising from sale of receivables are recognised at the time of sale of receivables and are set out in the statement of income captioned under 'finance charges'.

Foreign currencies
The financial statements are presented in Saudi Riyal, which is the Company's functional and presentation currency. Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for credit losses

Provision for credit losses relating to card members' receivables represent management's best estimate of the losses inherent in the Company's outstanding portfolio of card members' receivables.

Management's evaluation process requires certain estimates and judgments. Allowance for these losses are primarily based upon statistical models that analyse portfolio performance and reflect management's judgment regarding overall reserve adequacy. The models take into account several factors, including loss migration rates and average losses and recoveries over an appropriate historical period. Management considers whether to adjust the models for specific factors such as increased risk in certain portfolios, impact of risk management initiatives on portfolio performance and concentration of credit risk based on factors such as age, industry or geographic regions. In addition, management may increase or decrease the reserves for losses for other external environmental factors including leading economic and market indicators.

As part of this evaluation process, management also considers various reserve coverage metrics, such as reserves as a percentage of past due amounts, reserves as a percentage of card member receivables and net write-off coverage.

Card members' receivables are written off when management deems amounts to be uncollectible, which is generally determined by the number of days past due and is typically no later than 180 days.

Recoveries are recognised on a cash basis.

Provision for card membership fees

Provision for card membership fees represents the Company's best estimate of future card member cancellations and non-renewals. This reserve is established due to the Company's longstanding policy to refund the entire annual membership fee if card members cancel their relationship with the Company within a specified period. These reserves are recognised in earnings ratably over the contractual life of the arrangement. The provision provides for both renewal cancellations as well as new card member cancellations. The provision is based upon historical membership fee reversals arising due to card member cancellations and considers the number of months a full refund is available to a card member.

3 BANK BALANCES AND CASH

	31 October 2015 ***SR'000***	*31 December 2014* *SR'000*
Bank balances	**25,346**	9,318
Cash in hand	**37**	45
	25,383	9,363

4 CARD MEMBERS' RECEIVABLES, NET

	31 October 2015 ***SR'000***	*31 December 2014* *SR'000*
Card members' receivables	**829,960**	733,943
Less: Provision for doubtful debts (see note *(a)* below)	**(4,500)**	(4,941)
Less: Provision for card membership fees (see note *(b)* below)	**(453)**	(200)
	825,007	728,802

4 CARD MEMBERS' RECEIVABLES, NET (continued)

The ageing of unimpaired card members' receivables is as follows:

	Total SR' 000	*Neither past due nor impaired SR' 000*	*30 - 60 days SR' 000*	*61 - 90 days SR' 000*	*91 - 180 days SR' 000*
31 October 2015	**829,960**	**812,644**	**9,919**	**2,614**	**4,783**
31 December 2014	733,943	712,908	9,971	5,567	5,497

a) *Movement in the provision for doubtful debts in respect of card members' receivables is as follows:*

	31 October 2015 SR'000	*31 December 2014 SR'000*
At beginning of the period / year	**4,941**	2,815
Charge for the period / year	**6,479**	3,410
Written off during the period / year	**(6,920)**	(1,284)
At end of the period / year	**4,500**	4,941

The charge to the statement of income is net of recoveries during the year amounting to SR 5,523 thousand (2014: SR 8,659 thousand).

b) *Movement in card membership fees provision is as follows:*

	31 October 2015 SR'000	*31 December 2014 SR'000*
At beginning of the period / year	**200**	202
Provided during the period / year	**2,120**	2,459
Written off during the period / year	**(1,867)**	(2,461)
At end of the period / year	**453**	200

5 PROPERTY AND EQUIPMENT

The estimated useful lives of assets for calculation of depreciation are as follows:

Building and improvements	5 to 20 years	Software	5 years	Computer equipment	3 to 5 years
Furniture, fixtures and office equipment	3 to 5 years	Motor vehicles	4 years		

	Building and improvements SR'000	*Software SR'000*	*Computer equipment SR'000*	*Furniture, fixtures and office equipment SR'000*	*Motor vehicles SR'000*	*Capital work-in progress SR'000*	**Total 31 October 2015 SR'000**	*Total 31 December 2014 SR'000*
Cost:								
At beginning of the period / year	15,517	45,839	6,093	6,907	880	1,315	**76,551**	62,455
Additions during the period / year	-	-	-	-	-	6,901	**6,901**	16,324
Transfer during the period / year	444	2,146	319	598	-	(3,507)	-	-
Impairment during the period / year	-	-	-	-	-	-	-	(2,228)
At end of the period / year	15,961	47,985	6,412	7,505	880	4,709	**83,452**	76,551
Depreciation:								
At beginning of the period / year	3,980	28,053	4,948	4,845	761	-	**42,587**	34,931
Charge for the period / year	1,482	6,091	553	543	114	-	**8,783**	9,869
Impairment during the period / year	-	-	-	-	-	-	-	(2,213)
At end of the period / year	5,462	34,144	5,501	5,388	875	-	**51,370**	42,587
Net book values:								
At 31 October 2015	**10,499**	**13,841**	**911**	**2,117**	**5**	**4,709**	**32,082**	
At 31 December 2014	11,537	17,786	1,145	2,062	119	1,315		33,964

Capital work-in progress as at 31 October 2015 represents cost incurred for telephone, switchboard and software technical platforms.

6 ACCOUNTS PAYABLE AND ACCRUALS

	31 October 2015 SR'000	*31 December 2014 SR'000*
Advance from card members	**39,604**	42,114
Accrued expenses	**23,935**	25,864
Employees' accrued compensation	**17,239**	20,249
Payable to merchants	**6,991**	10,461
Provision for fraud loss (see note below)	**60**	35
Withholding taxes payable	**51**	1,065
	87,880	99,788

a) *Movement in provision for fraud loss is as follows:*

	31 October 2015 SR'000	*31 December 2014 SR'000*
At beginning of the period / year	**35**	261
Provided during the period / year	**947**	547
Written off during the period / year	**(922)**	(773)
At end of the period / year	**60**	35

7 SHORT TERM BORROWING FACILITIES

Short term borrowing facilities represents the following loan / facility obtained by the Company.

a) Short term loan from a bank aggregating SR 260 million (31 December 2014: SR 200 million) to finance the working capital requirement of the Company. These loans are secured by promissory notes signed by the Company and are repayable by 26 January 2016.

b) Credit facility from AEOCC aggregating USD 200 million (equivalent to SR 750 million) to finance the working capital requirement of the Company. As of 31 October 2015, the facility was not fully utilised. The facility will mature on 27 July 2017.

8 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent affiliated companies, major partners, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties and their related balances as at the end of the period / year are set out below:

		Amounts of transactions		*Balance as at*	
Related party	*Nature of transactions*	**31 October 2015 SR'000**	*31 December 2014 SR'000*	**31 October 2015 SR'000**	*31 December 2014 SR'000*
AETRS *(affiliate)*	Merchant transaction fees earned	**85,547**	94,272		
	Merchant transaction fees incurred on foreign cards	**9,995**	10,896		
	Royalty expense	**309**	345	**6,380**	7,725
AEOCC *(affiliate)* *(See below)*	Finance charges	**1,326**	2,885		
	Factoring charges	-	10,405		
	Short term loans received	**820,875**	716,172		
	Short term loans settled	**(918,750)**	(611,250)		
	Buy-back of receivables	-	589,795	-	-
SAIB *(Partner)*	Finance charges	-	59		
	Short term loans received	-	6,000		
	Short term loan settled	-	(6,000)		
	Data support services	**3,661**	3,798		
	Service and annual card fees	**(632)**	(588)		
	Advance tax paid	**801**	1,001	**780**	1,001
AEME *(Partner)*	Service fees	**2,237**	2,001		
	Advance tax paid	**4,006**	5,006	**4,006**	5,006
Total				**11,166**	13,732

In addition to the above, most of the routine banking transactions of the Company are carried out with SAIB. Bank balances at the end of the reporting period with SAIB amounted to SR 20,686 thousand (31 December 2014: SR 8,295 thousand) and are included under bank balances (note 3).

9 CARD MEMBERS' MARGINS

'Credit cards' and 'charge cards' issued by the Company are generally unsecured. In certain instances, where a prospective customer does not meet certain predefined credit criteria, the Company requires a margin or a cash-collateral. Based on the terms of agreement with such customers, the Company is entitled to offset the margin money or cash collateral received against amounts due from such card members. The collateral margin held as at 31 October 2015 is SR 50,518 thousand (31 December 2014: SR 44,565 thousand).

10 MEMBERSHIP REWARDS

	31 October 2015	*31 December 2014*
	SR'000	*SR'000*
At beginning of the period / year	**34,217**	24,209
Accumulated during the period / year	**16,209**	21,664
Utilised during the period / year	**(11,896)**	(11,656)
At end of the period / year	**38,530**	34,217

11 DEFERRED CARD MEMBERSHIP FEES

Deferred card membership fees represent the unamortised portion of annually charged new and renewal card fees net of commission costs.

	31 October 2015	*31 December 2014*
	SR'000	*SR'000*
At beginning of the period / year	**18,401**	16,198
Billed to card members during the period / year	**53,534**	52,348
Recognised during the period / year	**(48,266)**	(50,145)
	23,669	18,401

12 ZAKAT AND INCOME TAX

The Company is owned by Saudi and Non-Saudi partners, and hence is subject to zakat (on Saudi partner) and income tax (on Non-Saudi partner). The income tax and zakat liability has been calculated on the basis of the Income Tax Law and the Zakat Regulations issued by the Department of Zakat and Income Tax ("DZIT").

a) Zakat

Charge for the period / year

The zakat charge relating to the Saudi partners consists of:

	31 October 2015	*31 December 2014*
	SR'000	*SR'000*
Provision for the period / year	**5,963**	3,449

12 ZAKAT AND INCOME TAX (continued)

a) Zakat (continued)

The current year's provision is calculated based on the Saudi partner's share of zakat base as set out below:

	31 October 2015 SR'000	*31 December 2014 SR'000*
Equity	**140,456**	39,963
Provisions	**16,559**	17,362
Book value of long term assets (net of related financing)	**(25,325)**	(31,525)
	131,690	25,800
Zakatable profit for the period / year	**106,854**	112,160
Zakat base	**238,544**	137,960

The differences between the financial and zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable profit.

b) Income tax

Charge for the period / year

The income tax charge relating to the non-Saudi partner consists of:

	31 October 2015 SR'000	*31 December 2014 SR'000*
Provision for the period / year	**9,159**	9,614
Prior year adjustment	**1,156**	-
	10,315	9,614

The differences between the financial and taxable results are mainly due to provisions which are not allowed in the calculation of taxable profit.

c) Movement in provision for zakat and income tax is set out below:

	31 October 2015 SR'000	*31 December 2014 SR'000*
At beginning of the period / year	**7,056**	5,858
Provided during the period / year	**16,278**	13,063
Payments during the period / year	**(11,863)**	(11,865)
At end of the period / year	**11,471**	7,056

12 ZAKAT AND INCOME TAX (continued)

d) Status of assessments

The Company has filed its zakat and tax returns for the years up to 31 December 2014 and has obtained provisional zakat certificates up to the year ended 31 December 2014.

During 2013, the Company received assessments from the DZIT for the years ended 31 December 2003 to 2006 claiming additional zakat, income tax and withholding tax of SR 6,425 thousand. In addition, the Company was also liable to pay delay fine on the late payment of additional income tax and withholding tax assessed by the DZIT amounting to SR 4,325 thousand. The Company has accepted an additional claim of SR 2,229 thousand and contested the remaining claim of SR 8,521 thousand ("contested claim"). The Company's appeal has been rejected by the Appellate Committee for Zakat and Tax Appeal ("ACTZA") and the Company is in the process of appealing to the Board of Grievances. During the period, the Company has made a provision of SR 1,156 thousand in respect of assessments under appeal.

13 EMPLOYEES' TERMINAL BENEFITS

	31 October 2015 ***SR'000***	*31 December 2014* *SR'000*
At beginning of the period / year	**20,510**	19,336
Provided during the period / year	**4,273**	2,799
Paid during the period / year	**(644)**	(1,625)
At end of the period / year	**24,139**	20,510

14 CAPITAL

The Company's capital of SR 10 million consist of 200 thousand shares of SR 50 each (31 December 2014: 200 thousand shares) divided equally between AEME and SAIB.

15 PROPOSED CAPITAL INCREASE

During 2014, the partners proposed to increase the capital of the Company by SR 90,000 thousand through transfer from general reserve amounting to SR 53,001 thousand and statutory reserve amounting to SR 5,000 thousand and cash contributions aggregating to SR 31,999 thousand as per the partners' respective ownership interest in the Company, pursuant to the related approval by the partners in their meeting dated 27 October 2014 (corresponding to 3 Muharram 1436H). The Capital increase will be reflected as Capital after receiving approval from the Ministry of Commerce and Industry. The legal formalities to increase the capital were completed subsequent to the balance sheet date.

16 STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its income after zakat and income tax in each year until it has built up a reserve equal to one half of the capital. This having been achieved, the Company has resolved to discontinue such transfers. The reserve is not available for distribution.

17 GENERAL RESERVE

During 2014, the Company transferred SR 13,029 thousand from retained earnings to general reserves, upon approval of the partners as at reporting date.

18 DIVIDENDS

During 2014, the Partners have approved dividends amounting to SR 117,265 thousand in respect of prior financial years.

19 COMMITMENTS AND CONTINGENCES

Capital commitments
Commitments in respect of capital expenditure outstanding as at 31 October 2015 amounted to SAR 4,379 thousand (31 December 2014: SR 2,497 thousand).

Undrawn commitments
The Company has issued revolve credit cards with aggregate credit limit as at 31 October 2015 of SAR 1,117,155 thousand (31 December 2014: SR 1,072,422 thousand) and charge credit cards with aggregate limit as at 31 October 2015 of SAR 471,010 thousand (31 December 2014: SR 418,814 thousand).

Lease commitments
The rental commitments in respect of office premises as at 31 October 2015 amounted to SAR 16,813 thousand (31 December 2014: SR 9,134 thousand).

20 MERCHANT TRANSACTION FEES, NET

	For the period from 1 January 2015 to 31 October 2015 SR'000	*For the year ended 31 December 2014 SR'000*
Local card member transaction fees on out of Kingdom spend	**91,589**	101,835
Transaction fees on in Kingdom spend	**48,839**	48,398
Airline transaction fees	**2,953**	3,333
	143,381	153,566
Foreign card member transaction fees paid	**(8,995)**	(10,896)
	134,386	142,670

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Financial instruments comprise financial assets and financial liabilities. The Company's financial assets consist of bank balances and card members' receivables. Its financial liabilities consist of amounts due to related parties, accounts payable and accruals.

The fair values of financial instruments are not materially different from their carrying values.

22 RISK MANAGEMENT

Risk governance
The Company's risk governance as set out by its Board of Directors is manifested in a set of established policies, procedures and controls which uses the existing organizational structure to meet strategic targets. The Company's philosophy revolves on willing and knowledgeable risk acceptance commensurate with the risk appetite and strategic plan approved by the Board. The Company is exposed to interest rate, credit, liquidity and currency risks.

Risk management structure
A cohesive organizational structure is established within the Company in order to identify, assess, monitor and control risks.

Enterprise Risk committee
The Enterprise Risk Committee reports to the Board of Directors and is responsible for the overall risk management approach and for approving the risk management strategies and principles of the Company.

Audit committee
The Audit committee is responsible for the oversight of financial reporting, compliance and corporate governance.

Credit committee
The Credit Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Credit Committee is responsible for managing credit limits and risk decisions and monitoring risk levels and reports on a periodic basis to the Board of Directors.

Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company is subject to normal interest rate risk on its interest bearing assets and liabilities, mainly card members' receivables as at the reporting date, bank balances and short term borrowing facilities.

Credit risk
Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations.

Credit exposures arise principally in respect of lending activities that lead to card members' receivables. There is also credit risk in off balance sheet financial instruments, such as undrawn commitments.

The Company assesses the probability of default of its customers (mostly individuals) using internal rating tools. Also the Company uses external ratings, domestically available rating agencies or credit bureaus, where available.

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties. The Company's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored at regular intervals.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. The Company's credit risk is restricted to the Kingdom of Saudi Arabia as it provides services only to residents in Saudi Arabia.

Due to the nature of its business, significant concentration of credit risk exists as significant card members' receivables are from individuals. The Company obtains security when appropriate. The Company also seeks additional collateral from its customers, where possible, as soon as impairment indicators are noticed for the relevant individual customers.

The Company regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

22 RISK MANAGEMENT (continued)

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business.

Currency risk arises for the Company as its customers use cards issued by the Company throughout significant geographies comprising various countries. However, ultimate liabilities and settlements are effected through related parties in a single denominated currency, US Dollars. Accordingly, the Company is not exposed to significant currency risk as long as the underlying currencies are pegged to the US Dollar.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that bank facilities are available.

23 KEY SOURCES OF ESTIMATION UNCERTAINTY

Membership rewards
The Company uses models to estimate ultimate redemption rates ("URR") and weighted average cost ("WAC") to accrue for costs in respect of outstanding membership rewards at the reporting date. These are adjusted periodically to reflect the actual redemptions experienced till the reporting date.

Provision for card members' receivables
An estimate of the collectible amount of card members' receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income. Based on the above and the historical performance of the company's receivable, it is management's estimate that the uncertainty is limited.

Useful lives of property and equipment
The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Fraud losses
Provision for losses due to fraud is estimated by management based on the Company's historical experience.

24 COMPARATIVE FIGURES

Certain prior year figures have been re-classified to conform with the presentation in the current year.