American Express Saudi Arabia

(A Saudi Closed Joint Stock Company)
(Formerly known as American Express (Saudi Arabia) Limited)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2016

Building a better working world

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AUDITORS' REPORT TO THE SHAREHOLDERS OF AMERICAN EXPRESS SAUDI ARABIA (SAUDI CLOSED JOINT STOCK COMPANY)

Scope of audit:

We have audited the accompanying statement of financial position of American Express Saudi Arabia, a Saudi Closed Joint Stock Company (the "Company") as at 31 December 2016 and the related statements of profit or loss, other comprehensive income, cash flows and changes in shareholders' equity for the period from 1 November 2015 to 31 December 2016 (the "period"). These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the requirements 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 December 2016 and the results of its operations and its cash flows for the period in accordance with International Financial Reporting Standards.

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

for Ernst & Young

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

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ترخيص
مهني رقم ٤٥
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PROFESSIONAL LICENCE No. 45
ERNST & YOUNG

Riyadh: 4 Jumad Al Awal 1438H
(1 February 2017)

STATEMENT OF PROFIT OR LOSS

For the fourteen month period ended 31 December 2016

	Notes	*31 December 2016*
		SR '000
OPERATING INCOME		
Merchant transaction fees, net	6	**207,684**
Special commission income		**24,092**
Less: special commission expense		**(11,986)**
Net special commission income		**12,106**
NET MERCHANT TRANSACTION FEES AND SPECIAL COMMISSION INCOME		**219,790**
Other operating income		
Foreign exchange income		**108,702**
Card membership fees, net		**71,623**
Service and administrative fees		**71,256**
Late payment charges		**10,293**
Other income, net		**10,105**
TOTAL OPERATING INCOME		**491,769**
EXPENSES		
General and administration expenses	7	**(188,611)**
Selling and marketing expenses	8	**(72,316)**
Provision for card members' receivable, net of recoveries	10 (a)	**(19,027)**
PROFIT BEFORE ZAKAT AND INCOME TAX		**211,815**
Zakat and income tax	14 (a)	**(19,446)**
NET PROFIT FOR THE PERIOD		**192,369**
Basic and diluted earnings per share (SR)	22	**19.59**

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the fourteen month period ended 31 December 2016

		31 December 2016
		SR '000
NET PROFIT FOR THE PERIOD		**192,369**
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Remeasurement losses on defined benefit plans	19 (c)	**(785)**
Total other comprehensive loss		**(785)**
TOTAL COMPREHENSIVE INCOME		**191,584**

The attached notes 1 to 28 form part of these financial statements

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	*31 December 2016* SR '000
ASSETS		
Cash and cash equivalents	9	**51,385**
Card members' receivable, net	10	**787,479**
Amounts due from a related party	23 (c)	**316**
Prepaid expenses and other assets		**12,950**
Deferred income tax asset	14 (c)	**2,924**
Property and equipment, net	11	**17,307**
Intangible assets, net	12	**13,217**
TOTAL ASSETS		**885,578**
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Accounts payable and accruals	13	**92,687**
Provision for zakat and income tax	14	**11,727**
Short term borrowing facilities	15	**243,751**
Amounts due to a related party	23 (c)	**12,956**
Card members' margins	16	**55,061**
Membership rewards	17	**26,513**
Deferred card membership fees	18	**22,113**
Employees' terminal benefits	19 (a)	**27,518**
TOTAL LIABILITIES		**492,326**
SHAREHOLDERS' EQUITY		
Share capital	20 (a)	**100,000**
Statutory reserve	20 (b)	**24,237**
Retained earnings		**269,015**
TOTAL SHAREHOLDERS' EQUITY		**393,252**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**885,578**

The attached notes 1 to 28 form part of these financial statements

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the fourteen month period ended 31 December 2016

	Share capital SR '000	*Proposed capital increase SR '000*	*Statutory reserve SR '000*	*Retained earnings SR '000*	*Total SR '000*
Balances transferred upon conversion (note 1)	10,000	90,000	5,000	278,431	**383,431**
Effect of transition to IFRS (note 2)	-	-	-	300	**300**
Revised balances	10,000	90,000	5,000	278,731	**383,731**
Increase in share capital (note 20 (a))	90,000	(90,000)	-	-	**-**
Dividends (note 21)	-	-	-	(182,063)	**(182,063)**
Transfer to statutory reserve (note 20 (b))	-	-	19,237	(19,237)	**-**
Net profit for the period	-	-	-	192,369	**192,369**
Other comprehensive loss (note 19 (c))	-	-	-	(785)	**(785)**
Total comprehensive income	-	-	-	191,584	**191,584**
Balance at 31 December 2016	**100,000**	-	**24,237**	**269,015**	**393,252**

The attached notes 1 to 28 form part of these financial statements

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS
For the fourteen month period ended 31 December 2016

	Notes	*31 December 2016* SR '000
OPERATING ACTIVITIES		
Profit before zakat and income tax		**211,815**
Adjustments for:		
Depreciation	7	**3,901**
Amortisation of intangible assets	7	**7,452**
Provision for card members' receivables, net of recoveries	10 (a)	**19,027**
Provision for card membership fees		**3,038**
Provision for fraud losses		**101**
Provision for employees' terminal benefits	19 (b)	**4,990**
Net gain on sale of property and equipment		**(83)**
Operating cash flows before working capital changes		**250,241**
Changes in operating assets and liabilities:		
Card members' receivables		**15,463**
Prepaid expenses and other assets		**2,429**
Accounts payable and accruals		**4,706**
Due to related parties, net		**1,474**
Card members' margins		**4,543**
Membership rewards		**(12,017)**
Deferred card membership fees		**(1,556)**
Cash from operations		**265,283**
Zakat and income tax paid	14 (b)	**(19,759)**
Employees' terminal benefits paid	19 (c)	**(4,451)**
Net cash from operating activities		**241,073**
INVESTING ACTIVITIES		
Purchase of property and equipment	11	**(4,789)**
Purchase of intangible assets	12	**(5,025)**
Proceeds from sale of property and equipment		**102**
Net cash used in investing activities		**(9,712)**
FINANCING ACTIVITIES		
Proceeds from short term borrowing facilities		**4,413,437**
Repayment of short term borrowing facilities		**(4,436,733)**
Dividends paid	21	**(182,063)**
Net cash used in financing activities		**(205,359)**
INCREASE IN CASH AND CASH EQUIVALENTS		**26,002**
Cash and cash equivalents at beginning of the period	1	**25,383**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	9	**51,385**

The attached notes 1 to 28 form part of these financial statements

1 ACTIVITIES

American Express Saudi Arabia (the "Company") is a Saudi Closed Joint Stock Company incorporated in the Kingdom of Saudi Arabia. The Company operates under commercial registration No. 1010183222 issued in Riyadh on 27 Shawwal 1423H (corresponding to 31 December 2002); the commercial registration was reissued on 28 Muharram 1437H (corresponding to 10 November 2015), Service License No. 110/1 dated 13 Muharram 1423H (corresponding to 12 April 2002) issued by the Saudi Arabian General Investment Authority ("SAGIA") and License No. 04/ASH/215102 dated 28 Safar 1437H (corresponding to 10 December 2015) issued by the Saudi Arabian Monetary Agency ("SAMA").

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 Jumada Awal 1430H	Jeddah
JLT-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. The Company's name was changed from "American Express (Saudi Arabia) Limited" to "American Express Saudi Arabia". The Company effectively assumed the assets and liabilities of the Limited Liability Company, on the basis that it is a continuing entity for all purposes, other than the legal conversion.

1 ACTIVITIES (continued)

Assets and liabilities taken over were on the basis of International Financial Reporting Standards ("IFRS") (see adjustments in note 2 below).

Following are the assets and liabilities recognised as of the date of change in legal form:

	Notes	*1 November 2015 SR '000*
ASSETS		
Cash and cash equivalents		25,383
Card members' receivable, net		825,007
Prepaid expenses and other assets		15,379
Deferred income tax		2,355
Property and equipment, net	11	16,438
Intangible assets, net	12	15,644
TOTAL ASSETS		900,206
LIABILITIES		
Accounts payable and accruals		87,880
Provision for zakat and income tax	14 (b)	11,471
Short term borrowing facilities		267,047
Due to related parties		11,166
Card members' margins		50,518
Membership rewards	17	38,530
Deferred card membership fees	18	23,669
Employees' terminal benefits	19 (c)	26,194
TOTAL LIABILITIES		516,475
NET ASSETS		383,731

2 FIRST TIME ADOPTION OF IFRS

The Company has decided to carry forward the statutory reserve and retained earnings as carried in the Limited Liability Company as at the date of conversion to a Closed Joint Stock Company.

These financial statements for the period from 1 November 2015 to 31 December 2016 have been prepared by the Company in accordance with IFRS.

In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 November 2015 after incorporating the following GAAP differences between SOCPA and IFRS:

i) Employees' terminal benefits which was calculated based on the Saudi Arabian Labor Law is now accounted for based on actuarial valuation.

ii) Deferred tax asset has been accounted for in these financial statements for timing difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

2 FIRST TIME ADOPTION OF IFRS (continued)

iii) Certain reclassifications were made in the statement of profit and loss for better presentation. The Company has opted to present the statement of other comprehensive income separately from the statement of profit or loss.

Reconciliation of total assets and total liabilities as at 1 November 2015 (date of transition to IFRS)

	As at 1 November 2015		
	As per SOCPA accounting standards	*Effects of transition to IFRS*	*As per IFRS*
Statement of financial position	***SR '000***	***SR '000***	***SR '000***
Total assets	897,851	2,355	900,206
Total liabilities	514,420	2,055	516,475
Total Shareholders' equity	383,431	300	383,731

3 BASIS OF PREPARATION

The financial statements for the period from 1 November 2015 to 31 December 2016 are the first statutory financial statements of the Company after conversion to a Saudi Closed Joint Stock Company and have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB").

These financial statements have been presented in Saudi Riyals, as it is the functional currency of the Company and are rounded off to the nearest thousands.

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

4 SIGNIFICANT ACCOUNTING 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 period. 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.

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 as estimated earlier, will be recognised in the statement of profit or loss. Based on the above and the historical performance of the company's receivable, it is management's estimate that the uncertainty is limited.

4 SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Useful lives of property and equipment and intangible assets
The Company's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortisation. 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 and amortisation charge would be adjusted where management believes the useful lives differ from previous estimates.

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

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5 SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied by the Company:

Accounting convention
These financial statements are prepared under the historical cost convention.

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

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.

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

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 profit or loss. Betterments that increase the value or materially extend the life of the related assets are capitalised.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends
Final dividends are recognized as a liability at the time of their approval by the shareholders' General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

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 derecognized 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 (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) 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, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it 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 recognizes 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
Special commission expense 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 profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, 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 profit or loss on a straight line basis over the lease term.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Income Tax law and Zakat Regulations of the General Authority for Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia, on an accrual basis. The provision is charged to statement of profit or loss.

Deferred tax liabilities and assets are recognised for all temporary differences at current rates of taxation. The carrying amount of any deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available in the near future to allow all or part of the deferred tax asset to be utilised. The impact of changes in deferred tax assets / liabilities are recognised by way of charge or credit to the statement of profit or loss.

Employees' terminal benefits

The Company operates a defined benefit plan for employees in accordance with Saudi Arabian Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements for actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding adjustment to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to statement of profit or loss in subsequent periods.

Past service cost are recognised in the statement of profit or loss at the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Company recognises related restructuring costs

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in the statement of profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under general and administrative expenses)
- Net special commission expense or income (under borrowing facility cost and charges)

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 received. 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 the Kingdom of Saudi Arabia ('swipe of the cards at merchant's establishments approved by the Company). 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.

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. Starting 1 March 2016, the Company has replaced special commission income with service and administrative fees in respect of its consumer card holders as set out under accounting policy for "*service and administrative fee*".

Service and administrative fee

Service and administrative fees comprise a fixed monthly fee charged to the Company's consumer card holders (from 1 March 2016) for providing services related to the card product. The Company has the discretion to refund the fee if the entire outstanding balance is settled within time limits prescribed by the Company. The Company offers different credit limits that can be availed by card holders based on the nature of the card and credit scoring.

In addition, a late payment fee is also charged to delinquent customers on non-settlement of their outstanding balances. The late payment fees held in a liability account are set aside for charity as per Sharia principles and not recognised as the Company's revenue.

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 statement of profit or loss over the period that the fees entitle the card members to use their cards.

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.

Expenses

Selling and distribution expenses are those that specifically relate to marketing department. All other expenses are allocated on a consistent basis to sales and marketing and general and administration expenses in accordance with allocation factors determined as appropriate by the Company.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit or loss.

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 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 card members.

6 MERCHANT TRANSACTION FEES, NET

	For the fourteen month period ended 31 December 2016 SR'000
Local card member transaction fees on 'out of Kingdom' spend (note 23 (a))	**130,012**
Transaction fees on 'in Kingdom' spend	**84,145**
Airline transaction fees	**5,656**
	219,813
Foreign card member transaction fees settled (note 23 (a))	**(12,129)**
	207,684

7 GENERAL AND ADMINISTRATION EXPENSES

	For the fourteen month period ended 31 December 2016 *SR'000*
Employee related expenses	**101,014**
Data processing expenses	**37,604**
Contractual services	**9,949**
Rent and related expenses	**9,203**
Amortisation of intangible assets (note 12)	**7,452**
Telecommunication expenses	**6,563**
Professional charges	**6,144**
Depreciation (note 11)	**3,901**
Withholding tax	**2,570**
Provision for fraud losses (note 13 (a))	**101**
Others	**4,110**
	188,611

8 SELLING AND MARKETING EXPENSES

	For the fourteen month period ended 31 December 2016 *SR'000*
Marketing and promotion expenses	**24,491**
Membership rewards	**21,432**
Employee related expenses	**14,332**
Contractual services	**5,080**
Card member benefits	**4,317**
Rent and related expenses	**1,880**
Telecommunication expenses	**784**
	72,316

9 CASH AND CASH EQUIVALENTS

	31 December 2016 *SR'000*
Bank balances	**51,346**
Cash in hand	**39**
	51,385

10 CARD MEMBERS' RECEIVABLE, NET

	31 December 2016 SR'000
Card members' receivable	**793,749**
Less: Provision for doubtful debts (see note (a) below)	**(5,983)**
Less: Provision for card membership fees (see note (b) below)	**(287)**
	787,479

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

			Past due but not impaired			
	Total SR' 000	*Neither past due nor impaired SR' 000*	*1 - 30 days SR' 000*	*31 - 60 days SR' 000*	*61 - 90 days SR' 000*	*91 - 180 days SR' 000*
31 December 2016	**787,479**	**726,408**	**34,598**	**12,224**	**5,543**	**8,706**

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

	For the fourteen month period ended 31 December 2016 SR'000
At beginning of the period	**4,501**
Charge for the period	**25,474**
Written off during the period	**(23,992)**
At end of the period	**5,983**

The charge to the statement of profit or loss amounting to SR 19.03 million is net of recoveries during the period of SR 6.45 million.

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

	For the fourteen month period ended 31 December 2016 SR'000
At beginning of the period	**264**
Charge for the period	**3,038**
Written off during the period	**(3,204)**
At end of the period	**287**

11 PROPERTY AND EQUIPMENT, NET

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

Building and improvements	5 to 20 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	*Computer equipment SR'000*	*Furniture, fixtures and office equipment SR'000*	*Motor vehicles SR'000*	*Capital work-in progress SR'000*	***Total 2016 SR'000***
Cost:						
At beginning of the period	15,961	6,412	7,504	880	2,907	**33,664**
Additions during the period	-	-	-	-	4,789	**4,789**
Transfers during the period	1,137	1,479	1,230	260	(4,106)	**-**
Disposals during the period	-	-	-	(426)	-	**(426)**
Write-offs during the period	(513)	(412)	(1,377)	-	-	**(2,302)**
At end of the period	16,585	7,479	7,357	714	3,590	**35,725**
Depreciation:						
At beginning of the period	5,462	5,501	5,387	876	-	**17,226**
Charge for the period (note 7)	2,115	786	948	52	-	**3,901**
Disposals during the period	-	-	-	(426)	-	**(426)**
Write-offs during the period	(494)	(412)	(1,377)	-	-	**(2,283)**
At end of the period	7,083	5,875	4,958	502	-	**18,418**
Net book values:						
At 31 December 2016	**9,502**	**1,604**	**2,399**	**212**	**3,590**	**17,307**

Capital work-in progress as at 31 December 2016 represents cost incurred for telephone, switchboard, office equipment and furniture and fixtures.

12 INTANGIBLE ASSETS, NET

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

Software 3-5 years

	Software SR'000	*Capital work in progress SR'000*	***Total 2016 SR'000***
Cost:			
At beginning of the period	47,986	1,802	**49,788**
Additions during the period	-	5,025	**5,025**
Transfers during the period	5,994	(5,994)	**-**
Write-offs during the period	(663)	-	**(663)**
At the end of the period	53,317	833	**54,150**
Accumulated amortization:			
At beginning of the period	34,144	-	**34,144**
Charge for the period (note 7)	7,452	-	**7,452**
Write-offs during the period	(663)	-	**(663)**
At end of the period	40,933	-	**40,933**
Net book amounts:			
As at 31 December 2016	**12,384**	**833**	**13,217**

Capital work-in progress as at 31 December 2016 represents cost incurred mainly for applications and software technical platforms.

13 ACCOUNTS PAYABLE AND ACCRUALS

	31 December 2016 SR'000
Advance from card members	**39,309**
Accrued expenses	**23,468**
Employees' accrued compensation	**19,208**
Payable to merchants	**6,994**
Provision for fraud losses (see note (a) below)	**14**
Other payable	**3,694**
	92,687

13 ACCOUNTS PAYABLE AND ACCRUALS (continued)

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

	For the fourteen month period ended 31 December 2016 SR'000
At beginning of the period	**60**
Provided during the period	**438**
Written off during the period	**(484)**
At end of the period	**14**

The charge to the statement of profit or loss amounting to SR 0.10 million (note 7) is net of recoveries during the period of SR 0.34 million.

14 ZAKAT AND INCOME TAX

The Company is owned by Saudi and Non-Saudi shareholders, and hence is subject to zakat (on Saudi shareholder's share) and income tax (on Non-Saudi shareholder's share). The income tax and zakat liability have been calculated on the basis of the Income Tax Law and the Zakat Regulations in the Kingdom of Saudi Arabia.

a) Charge for the period

	For the fourteen month period ended 31 December 2016 SR'000
Current zakat and income tax (see note (b))	**20,015**
Deferred income tax relating to origination and reversal of temporary differences (note c)	**(569)**
	19,446

The current period's provision for Zakat is calculated based on the Saudi shareholder's share of zakat base as set out below:

	31 December 2016 SR'000
Equity	**132,503**
Provisions	**27,722**
Book value of long term assets (net of related financing)	**(37,425)**
Zakatable profit for the period	**153,049**
Zakat base	**275,849**
Zakat due	**6,896**

14 ZAKAT AND INCOME TAX (continued)

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

	Zakat *SR '000*	*Income tax* *SR '000*	*Total* *SR '000*
Balance at beginning of the period	**5,963**	**5,508**	**11,471**
Provision during the period (note a)	**6,896**	**13,119**	**20,015**
Payments during the period	**(5,799)**	**(13,960)**	**(19,759)**
Balance at end of the period	**7,060**	**4,667**	**11,727**

Below is a reconciliation of tax expense and the accounting profit multiplied by the applicable tax rate:

	31 December 2016 *SR'000*
Accounting profit before zakat and income tax	**211,815**
Accounting profit related to Non GCC shareholders @ 30%	**63,545**
At statutory income tax rate of 20%	**12,709**
Tax effect of other items	**410**
Effective income tax @ 20.65%	**13,119**

c) *Deferred income tax asset*

The deferred income tax asset amounting to SR 2.92 million includes a deferred tax charge for the period amounting to SR 0.57 million (see note a). The deferred tax relates to timing differences due to differential treatment in computation of the book profit and taxable profit in respect of depreciation of property and equipment, amortisation of intangible assets and disallowance of provision for employees' terminal benefits, provision for fraud loss, provision for card members' receivables and provision for card fees. The tax impact is calculated based on the income tax rate of 20%. The deferred tax asset is recognized based on the Company's estimate that it will have adequate taxable profits in the future years to offset the deferred tax asset.

d) *Status of assessments*

The Company has filed zakat and income tax returns for all years up to 31 December 2015 and has obtained provisional zakat certificate, which is valid upto 30 April 2017.

During 2010, the Company received assessments from the General Authority for Zakat and Tax (the "GAZT") for the years 2003 to 2006 claiming additional zakat, income tax and withholding tax of SR 6.44 million. The Company accepted and paid claims of SR 3.23 million and paid under protest the balance of SR 3.21 million. The GAZT also assessed delay fine amounting to SR 4.57 million. The Company's appeal to the Appellate Committee for Zakat and Tax Appeal ("ACZTA") was accepted for certain items which reduced the liability by SR 0.247 million. The Company further accepted and paid several items amounting to SR 1.42 million. The Company has submitted bank guarantees for SR 3.00 million in respect of delay fines for matters under pursuit where the Company is confident of a favourable outcome. The Company has filed an appeal with the Board of Grievances ("BoG") in January 2016 against the ACZTA's decision. The Lower Court of the BoG has rejected the Company's appeal during November 2016. The Company filed an appeal against the decision of the Lower Court with the Appeal Circuit of the BoG during December 2016 on which it is confident of the appeal outcome in its favour.

14 ZAKAT AND INCOME TAX (continued)

d) Status of assessments (continued)

During 2014, the Company received assessments from the GAZT for the years 2007 to 2011 claiming additional zakat, income tax and withholding tax of SR 15.55 million. The Company accepted and paid claims of SR 0.280 million and also paid under protest the balance of SR 13.88 million towards taxes excluding zakat. The GAZT in its revised assessment computed an overpayment towards withholding taxes by SR 0.26 million. The GAZT also assessed delay fine amounting to SR 6.21 million out of which the Company accepted and paid SR 0.164 million.

During June 2016, ruling from the Preliminary Zakat and Tax Appeal Committee ("PZTAC") was received which reduced the zakat and taxes liability by SR 1.42 million and SR 0.16 million in respect of delay fines.

The Company, has submitted bank guarantee to the GAZT for SR 7.00 million in respect of the balance of the delay fine and filed an appeal with the ACZTA. The Company is confident of the appeal outcome in its favour.

Assessments for the years ended 31 December 2012 to 2015 have not yet been raised.

15 SHORT TERM BORROWING FACILITIES

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

a) Short term facilities from banks aggregating USD 188.00 million (equivalent to SR 705.00 million) to finance the working capital requirement of the Company. These loans are secured by promissory notes signed by the Company and are repayable in November and December 2017. As of 31 December 2016, the outstanding balance under these facilities was SR 243.75 million due to repayments near the period end.

b) Credit facility from American Express Overseas Credit Corporation ("AEOCC") aggregating USD 200 million (equivalent to SR 750 million) to finance the working capital requirement of the Company. As of 31 December 2016, the outstanding balance under this facility was USD 0.0001 million (equivalent to SR 0.001 million). The facility will mature on 27 July 2017.

16 CARD MEMBERS' MARGINS

'Revolve 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 December 2016 is SR 55.06 million.

17 MEMBERSHIP REWARDS

	31 December 2016 SR'000
At beginning of the period	**38,530**
Accumulated during the period	**6,766**
Utilised during the period	**(18,783)**
At end of the period	**26,513**

18 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 December 2016 SR'000
At beginning of the period	23,669
Billed to card members during the period	73,327
Recognised during the period	(74,883)
At end of the period	**22,113**

19 EMPLOYEES' TERMINAL BENEFITS

The following tables summarise the components of end of service benefits recognised in the statement of profit or loss and amounts recognised in the statement of comprehensive income and statement of financial position:

a) Amount recognised in the statement of financial position:

	31 December 2016 (SR '000)
Present value of defined benefit obligation	**27,518**

b) Benefit expense (recognised in statement of profit or loss):

	For the fourteen month period ended 31 December 2016 (SR '000)
Current service cost	2,304
Special commission cost	874
Immediate recognition of prior service cost	1,812
Benefit expense	**4,990**

19 EMPLOYEES' TERMINAL BENEFITS

c) *Movement in the present value of defined benefit obligation:*

	For the fourteen month period ended 31 December 2016 (SR '000)
Present value of defined benefit obligation at beginning of the period	**26,194**
Charge recognised in statement of profit or loss	
Current service cost	**2,304**
Special commission cost	**874**
Immediate recognition of prior service cost	**1,812**
Actuarial loss on defined benefit plan recognised in the statement of comprehensive income	**785**
Benefits paid	**(4,451)**
Present value of defined benefit obligation at end of the period	**27,518**

d) *Principal actuarial assumption at 31 December 2016:*

	31 December 2016
Discount rate	**5%**
Salary increase rate	**5%**

20 SHARE CAPITAL AND STATUTORY RESERVE

(a) Share capital

The Company's share capital of SR 100 million consists of 10 million shares of SR 10 each.

The shareholders proposed an increase in the share capital of the Company by SR 90 million which was completed during the period and the amount transferred to share capital.

(b) 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 share capital. The reserve is not available for distribution.

21 DIVIDENDS

During the period, the shareholders have approved net dividends amounting to SR 182.06 million amounting to SR 18.206 per share.

22 EARNINGS PER SHARE

Basic and diluted earnings per share for the period is calculated by dividing the net profit for the period by the weighted average number of shares outstanding at the period end.

Weighted average number of shares for the fourteen month period ended 31 December 2016 is 9,821,150 shares.

23 RELATED PARTY TRANSACTIONS AND BALANCES

a) Significant transactions arising from transactions with related parties are as follows:

Related Party	*Nature of Transaction*	***For the fourteen month period ended 31 December 2016*** ***SR'000***
Shareholder		
The Saudi Investment Bank ("SAIB")	Data support services	**(5,013)**
	Service and annual card fees	**1,175**
AMEX (Middle East) BSC (C) ("AEME")	Service fees	**(4,178)**
Affiliate		
AETRS	Merchant transaction fees earned (note 6)	**130,012**
	Merchant transaction fees incurred on foreign cards (note 6)	**(12,129)**
	Royalty expense	**(460)**
AEOCC	Finance charges paid (note 15(b))	**(5,093)**
	Short term loans received	**1,848,938**
	Short term loans settled	**(1,855,983)**

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 48.67 million and are included under cash and cash equivalents.

b) The compensation of key management personnel for the fourteen month period ended 31 December 2016 was SR 13.59 million.

c) The following receivable/ payable balances arose as a result of transactions with related parties:

Related party	*Name*	***31 December 2016*** ***SR '000***
Due from / (to):		
Shareholder	SAIB	**316**
Affiliates	AETRS	**(12,956)**

24 COMMITMENTS AND CONTINGENCES

Capital commitments
Commitments in respect of capital expenditure outstanding as at 31 December 2016 amounted to SR 2.4 million.

Undrawn commitments
The undrawn credit commitments in respect of revolve credit cards issued by the Company as at 31 December 2016 amounted to SR 831.37 million.

Lease commitments
The rental commitments in respect of office premises as at 31 December 2016 amounted to SR 2.96 million.

Bank guarantees
Outstanding bank guarantees issued to the GAZT as at 31 December 2016, in respect of its appeals to the HAC and BoG amounted to SR 10.00 million.

25 FINANCIAL INSTRUMENTS AND FAIR VALUE

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.

Financial instruments comprise financial asset and financial liabilities.

Financial assets consist of bank balances and receivables. Financial liabilities consist of short term borrowings, accounts payables, cardmembers' margins and membership rewards.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

25 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

	Carrying value SR '000	*Fair value SR '000*
Financial assets		
Cash and cash equivalents	51,385	51,385
Card members' receivable, net	787,479	787,479
Amounts due from a related party	316	316
Other assets	3,795	3,795
	842,975	842,975
Financial liabilities		
Accounts payable and accruals	92,687	92,687
Amounts due to a related party	12,956	12,956
Card members' margins	55,061	55,061
Short term borrowing facilities	243,751	243,751
Membership rewards	26,513	26,513
	430,968	430,968

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement, such as assets held for distribution in a discontinued operation.

Due to the short term nature of the financial assets and liabilities; the fair values of the financial assets and liabilities are not materially different from their carrying values. These would qualify for level 2 disclosure under IFRS. There have been no transfers to and from Level 2 during the period.

26 RISK MANAGEMENT

Financial instruments carried on the statement of financial position comprise cash and cash equivalents, card members' receivable, due from a related party and other receivables and financing from financial institutions and accounts payable, due to a related party, accruals and other liabilities.

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

26 RISK MANAGEMENT (continued)

Risk management is carried out under policies approved by the management. The management identifies and evaluates overall risk management covering specific areas, such as foreign exchange risk, special commission rate risk, credit risk, and investment of excess liquidity.

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 using their internal payment and spend history, application and behavior scores, credit bureau information (including bureau scores) and other external data sources.

The Company attempts to control credit risk by approving creditworthy applicants, monitoring credit exposures, limiting transactions with specific counterparties, performing periodic credit bureau inquiries for all customers, preventing card usage when customers go significantly over their credit limit or become delinquent and by regular follow up for collection of overdue receivables.

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 a few individuals or companies. The Company obtains security in the form of cash margin deposits or bank guarantees when appropriate but most of its credit exposures granted are unsecured.

The Company regularly reviews its risk management policies and systems to reflect changes in the portfolio, markets, products and emerging best practices.

The carrying amount of financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was on account of:

	31 December 2016 SR'000
Card members' receivable, net	**787,479**
Cash and cash equivalents	**51,385**
Amounts due from a related party	**316**
Other assets	**3,795**
	842,975

Corporate card members' receivables of SR 192.03 million, individual card members' receivables of SR 595.45 million and other assets are unrated financial assets.

Bank balances included in cash and cash equivalents and due from related parties are with counterparties that have investment grade credit ratings. Investment grade refers to the quality of the counterparty's credit. In order to be considered investment grade, the counterparty must be rated at 'BBB' or higher by Standard and Poor's or Moody's.

26 RISK MANAGEMENT (continued)

Special commission rate risk

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

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Company's statement of profit or loss for an annual period. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net commission income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at 31 December 2016. All the exposures are monitored and analysed in major currency concentrations (exposure is either in Saudi Riyals or United States Dollars) and relevant sensitivities are disclosed in Saudi Riyals.

	31 December 2016	
	Change in basis points	*Impact on net income SR'000*
Saudi Riyal	**+25**	**(609)**
Saudi Riyal	**-25**	**609**

Card member receivables are not subject to special commission rate risk as the Company only charges fixed monthly service and administrative fees for the overdue balance in respect of revolve cards. Further, charge cards are also not subject to special commission rate risk as the Company only charges fixed delay fines for the overdue balance.

26 RISK MANAGEMENT (continued)

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its net financing requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of financing to dry up immediately. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

a) *Analysis of financial liabilities by remaining contractual maturities*

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2016 based on contractual undiscounted repayment obligations. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date.

		Fixed maturity		
	No fixed maturity SR'000	*Within 3 months SR'000*	*3 to 12 months SR'000*	*Total SR'000*
31 December 2016				
Accounts payable and accruals	-	89,291	3,396	**92,687**
Amounts due to a related party	-	12,956	-	**12,956**
Card members' margins	55,061	-	-	**55,061**
Short term borrowing facilities	-	244,181	-	**244,181**
Membership rewards	26,513	-	-	**26,513**
Total	**81,574**	**346,428**	**3,396**	**431,398**

26 RISK MANAGEMENT (continued)

Liquidity risk (continued)

b) Analysis of financial assets and liabilities according to when they are expected to be recovered or settled

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

		Fixed maturity			
	On demand SR'000	*Within 3 months SR'000*	*3 to 12 months SR'000*	*1 to 5 years SR'000*	*Total SR'000*
31 December 2016					
Assets					
Cash and cash equivalents	51,385	-	-	-	**51,385**
Card members' receivable, net	-	787,479	-	-	**787,479**
Amounts due from a related party	-	316	-	-	**316**
Other assets	-	561	2,770	464	**3,795**
Financial assets	51,385	788,356	2,770	464	**842,975**
Liabilities					
Accounts payable and accruals	-	(89,291)	(3,396)	-	**(92,687)**
Amounts due to a related party	-	(12,956)	-	-	**(12,956)**
Card members' margins	(55,061)	-	-	-	**(55,061)**
Short term borrowing facilities	-	(243,751)	-	-	**(243,751)**
Membership rewards	(26,513)	-	-	-	**(26,513)**
Financial liabilities	(81,574)	(345,998)	(3,396)	-	**(430,968)**
Net	**(30,189)**	**442,358**	**(626)**	**464**	**412,007**

26 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. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. Since Saudi Riyals is on a fixed parity to the US Dollar, management believes that the Company is not subject to any significant currency risk.

27 SIGNIFICANT STANDARDS ISSUED BUT NOT YET EFFECTIVE

Significant standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 Leases
In January 2016, the IASB issued the final version of IFRS 16 Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 is effective for annual periods beginning on or after 1 January 2019 with early application permitted but only if it also applies IFRS 15 Revenue from Contracts with Customers.

The adoption of IFRS 16 will have an effect on the classification and measurement of the Company's leased assets. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

28 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 4 Jumad Al Awal 1438H (corresponding to 1 February 2017).