

**AQSAT INTERNATIONAL TRADING
COMPANY LIMITED**

FINANCIAL STATEMENTS

**FOR THE PERIOD FROM 1 JANUARY 2014 TO 25
NOVEMBER 2014**



Building a better
working world

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AUDITORS' REPORT TO THE PARTNERS OF AQSAT INTERNATIONAL TRADING COMPANY LIMITED

Scope of audit

We have audited the accompanying balance sheet of Aqsat International Trading Company Limited (“the Company”) as at 25 November 2014 and the related statements of income, cash flows and changes in partners’ equity for the period from 1 January 2014 to 25 November 2014. 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 25 November 2014 and the results of its operations and its cash flows for the period from 1 January 2014 to 25 November 2014, 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 matter

Without qualifying our opinion, we draw attention to note 2 to the financial statements. As stated therein, these financial statements represent the final set of financial statements of the Company as a Limited Liability Company.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

6 Shaban 1436 H
24 May 2015

Jeddah

14/167/PG



Aqsat International Trading Company Limited

BALANCE SHEET

As at 25 November 2014

	<i>Note</i>	<i>25 November 2014 SR</i>	<i>31 December 2013 SR</i>
ASSETS			
CURRENT ASSETS			
Bank balances and cash	4	50,506,196	50,404,615
Present value of margin deposits, net	5	-	3,600,000
Net investment in capital leases and instalment sales	6	99,497,880	163,075,121
Prepayments and other receivables	7	285,049,461	23,084,545
Due from affiliates	14	112,638,599	4,419,887
TOTAL CURRENT ASSETS		547,692,136	244,584,168
NON-CURRENT ASSETS			
Present value of margin deposits, net	5	-	119,194,801
Net investment in capital leases and instalment sales	6	115,275,550	419,760,705
Property and equipment	8	6,585,229	6,865,708
TOTAL NON-CURRENT ASSETS		121,860,779	545,821,214
TOTAL ASSETS		669,552,915	790,405,382
LIABILITIES AND PARTNERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	9	46,888,704	67,576,996
Due to affiliates	14	1,963,996	337,317,269
Accruals and other liabilities	10	21,182,369	20,355,126
Short term loan	10.1	250,000,000	-
TOTAL CURRENT LIABILITIES		320,035,069	425,249,391
NON-CURRENT LIABILITIES			
Net servicing liability		59,348,909	72,404,594
Employees' end of service benefits		6,849,388	6,160,130
TOTAL NON-CURRENT LIABILITIES		66,198,297	78,564,724
TOTAL LIABILITIES		386,233,366	503,814,115
EQUITY			
PARTNERS' EQUITY			
Capital	12	100,000,000	100,000,000
Statutory reserve	13	10,571,920	10,571,920
Retained earnings		172,747,629	176,019,347
TOTAL PARTNERS' EQUITY		283,319,549	286,591,267
TOTAL LIABILITIES AND PARTNERS' EQUITY		669,552,915	790,405,382

The attached notes 1 to 22 form part of these financial statements.

Aqsat International Trading Company Limited

STATEMENT OF INCOME

For the period from 1 January 2014 to 25 November 2014

		<i>For the period from 1 January 2014 to 25 November 2014 SR</i>	<i>For the year ended 31 December 2013 SR</i>
Revenue and net gains on financial assets	15	222,522,093	240,336,022
Contract fee income		8,246,511	16,048,861
Direct costs	16	(118,231,387)	(98,580,322)
GROSS PROFIT		112,537,217	157,804,561
EXPENSES			
Selling and distribution	17	(101,894,278)	(47,247,173)
General and administration	18	(12,210,733)	(14,479,061)
(LOSS) / INCOME FROM OPERATIONS		(1,567,794)	96,078,327
Other income	19	2,753,948	6,620,266
NET INCOME FOR THE PERIOD/ YEAR BEFORE ZAKAT		1,186,154	102,698,593
Zakat	11	(4,457,872)	(4,800,000)
NET (LOSS) /INCOME FOR THE PERIOD/ YEAR		(3,271,718)	97,898,593

The attached notes 1 to 22 form part of these financial statements.

Aqsat International Trading Company Limited

STATEMENT OF CASH FLOWS

For the period from 1 January 2014 to 25 November 2014

	<i>Note</i>	<i>For the period from 1 January 2014 to 25 November 2014 SR</i>	<i>For the year ended 31 December 2013 SR</i>
OPERATING ACTIVITIES			
Net income for the period/year before zakat		1,186,154	102,698,593
Adjustments for:			
Depreciation	8	1,529,235	1,308,340
Allowance for doubtful debts	6	41,051,767	40,080,892
Doubtful debts -directly written-off	17	53,069,268	-
Provision for employees' end of service benefits		1,964,073	1,412,736
Gain on disposal of property and equipment		-	(24,179)
		<u>98,800,497</u>	<u>145,476,382</u>
Changes in operating assets and liabilities:			
Present value of margin deposits, net		122,794,801	(53,316,757)
Net investment in capital leases and instalment sales		273,941,361	(369,377,565)
Prepayments and other receivables		(261,964,916)	(12,007,796)
Due from affiliates		(108,218,712)	(160,174)
Accounts payable		(20,688,292)	53,630,946
Due to affiliates		(335,353,273)	226,055,930
Accruals and other liabilities		859,270	5,912,285
Net servicing liability		(13,055,685)	37,060,152
		<u>(242,884,949)</u>	<u>33,273,403</u>
Cash (used in)/from operations		(242,884,949)	33,273,403
Zakat paid	11	(4,489,899)	(1,187,535)
Employees' end of service benefits paid		(1,274,815)	(526,889)
		<u>(248,649,663)</u>	<u>31,558,979</u>
Net cash (used in)/from operating activities		<u>(248,649,663)</u>	<u>31,558,979</u>
INVESTING ACTIVITIES			
Purchase of property and equipment	8	(1,248,756)	(4,628,614)
Proceeds from disposal of property and equipment		-	52,779
		<u>(1,248,756)</u>	<u>(4,575,835)</u>
Net cash used in investing activities		<u>(1,248,756)</u>	<u>(4,575,835)</u>
FINANCING ACTIVITY			
Proceed from short term bank loan and net cash from financing activity	10.1	250,000,000	-
		<u>250,000,000</u>	<u>-</u>
NET INCREASE IN BANK BALANCES AND CASH		101,581	26,983,144
Bank balances and cash at the beginning of the period/year		<u>50,404,615</u>	<u>23,421,471</u>
BANK BALANCES AND CASH AT THE END OF THE PERIOD/ YEAR	4	50,506,196	50,404,615

The attached notes 1 to 22 form part of these financial statements.

Aqsat International Trading Company Limited
STATEMENT OF CHANGES IN PARTNERS' EQUITY
For the period from 1 January 2014 to 25 November 2014

	<i>Capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Total SR</i>
Balance at 31 December 2012	1,000,000	782,061	186,910,613	188,692,674
Net income for the year	-	-	97,898,593	97,898,593
Transfer to statutory reserve	-	9,789,859	(9,789,859)	-
Transfer from retained earnings to capital (note 12)	99,000,000	-	(99,000,000)	-
Balance at 31 December 2013	100,000,000	10,571,920	176,019,347	286,591,267
Net loss for the period	-	-	(3,271,718)	(3,271,718)
Balance at 25 November 2014	100,000,000	10,571,920	172,747,629	283,319,549

The attached notes 1 to 22 form part of these financial statements.

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS

For the period from 1 January 2014 to 25 November 2014

1 ACTIVITIES

Aqsat International Trading Company Limited ("the Company") is a Saudi Limited Liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030171226, issued on 8 Rajab 1428 H (corresponding to 22 July 2007). The Company is engaged in the activities of sale of new and used motor vehicles under capital leases and instalment sales. As described below (note 1(c)), the partners of the Company resolved to convert the Company to a Saudi Closed Joint Stock Company on 26 Dhu al-Qidah 1436 H (corresponding to 21 September 2014) (the "Conversion Date").

The conversion was announced by Ministerial Decision number 338 on 4 Safar 1436 H (corresponding to 26 November 2014).

Prior to the Conversion Date, the Company was also licensed for the wholesale and retail sale of spare parts, electric appliances, sale and lease of construction tools, and purchase and sale of real estate for the purpose of rentals and resale; however, no such activities have been carried out by the Company to date.

a) Changes in the name of the Company

The name of the Company at the time of incorporation was "Aqsat International Trading Company Limited. Subsequently on 4 Safar 1436 H (corresponding to 26 November 2014) the name of the Company was changed to Tamwily International Company (Saudi Closed Joint Stock Company).

b) Changes to the capital of the Company

Prior to above mentioned change, the capital of the Company was divided into 10,000 shares of SR 10,000 each and was owned as follows:

	<i>No. of shares of SR 10,000 Each</i>	<i>Amount SR</i>
Jiad International Holding Co for Commercial Development Limited (A Limited Liability Company)	8,500	85,000,000
Mohammed Yousuf Naghi	1,500	15,000,000
	10,000	100,000,000

Subsequently, On 21 September 2014 (corresponding to 26 Dhul Qadah 1436H), the Partners of the Company resolved to change the par value of the Company's share from SR 10,000 each to SR 10 each and as a result increase the number of shares of the Company from 10,000 shares of SR 10,000 each to 10 million shares of SR 10 each. The total capital remains SR 100 million. As at 25 November 2014, the revised capital of the Company is owned as follows:

	<i>No. of shares of SR 10 Each</i>	<i>Amount SR</i>
Jiad International Holding Co for Commercial Development Limited (A Limited Liability Company)	7,000,000	70,000,000
Mohammed Yousuf Naghi	1,500,000	15,000,000
Sanabel National Trade and Service	500,000	5,000,000
Tahir Mohammed Al Dabagh	500,000	5,000,000
Anis Abdul Jaleel Jamjoom	500,000	5,000,000
	10,000,000	100,000,000

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

1 ACTIVITIES (continued)

The Company is ultimately owned by Saudi partners.

c) *Conversion of the Company from a Limited Liability Company to a Saudi Closed Joint Stock Company*

On 26 Dhu al-Qidah 1436 H (corresponding to 21 September 2014), the partners of the Company resolved to:

- Change the name of the Company to Tamwily International Company (see point 1(a));
- Change the par value of the Company's share from SR 10,000 each to SR 10 each and as a result increase the number of shares from 10,000 shares of SR 10,000 each to 10 million shares of SR 10 each. The total capital remains SR 100 million (see point 1(b));
- Change the shareholding structure of the Company (see point 1(b)); and
- Convert the Company from a Limited Liability Company to a Saudi Closed Joint Stock Company. The Ministerial Decision number 338, announcing the change of the name of the Company to Tamwily International Company (a Saudi Closed Joint Stock Company) and to change the legal status of the Company from a Limited Liability Company to a Saudi Closed Joint Stock Company, was received on 4 Safar 1436 H (corresponding to 26 November 2014).

d) *License from Saudi Arabian Monetary Agency (SAMA)*

During 2014, in order to comply with the new finance regulations, the Company filed applications to undertake activities of finance leasing and financing with the Saudi Arabian Monetary Agency (SAMA) on 17 Jumada Al Awwal 1435 H (corresponding to 18 March 2014). The Company received a license from SAMA on 19 Safar 1436 H (corresponding to 11 December 2014) to undertake activities of finance leasing and financing the retail, small and medium enterprises in the Kingdom of Saudi Arabia.

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

2 BASIS OF PRESENTATION

These financial statements have been prepared on a going concern basis for the period from 1 January 2014 to 25 November 2014, and represent the final set of financial statements of the Company as a Limited Liability Company. As stated above, with effect from 26 November 2014, the Company was converted from a Limited Liability Company to a Saudi Closed Joint Stock Company. The comparative amounts are as of 31 December 2013 and for the year then ended.

In preparing the financial statements as of and for the period ended 25 November 2014, the management has used the financial position of the Company as of 30 November 2014 and the results for the period from 1 January 2014 to 25 November 2014 (the "period"). All significant transactions during the period from 26 November 2014 to 30 November 2014 have been eliminated to arrive at the results for the period from 1 January 2014 to 25 November 2014.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention using the accrual basis of accounting and the going concern assumption. As more fully explained in note 1 effective 26 November 2014, the Company has only changed its legal status with no effect on its operations after conversion to a Saudi Closed Joint Stock Company.

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 revenues and expenses during the reporting period (also see accounting policy on "impairment of financial assets" below).

Net investment in capital leases and instalment sales

Net investment in capital leases and instalment sales comprises of gross investment less unearned finance income. Allowance is made against the related receivables, as soon as they are considered doubtful for recovery by the management.

Unearned finance income from capital leases and instalment sales

Gross investment in capital leases and instalment sales represents the gross payments receivable by the Company and the net investment in capital leases and instalment sales represents the present value of these payments. The difference between gross and net investment in capital leases and instalment sales is recorded as unearned finance income.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet 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 of the financial assets have been impacted.

An estimate of the collectible amount of receivables under capital leases and instalment sales 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 a provision applied according to the length of time past due. Any difference between the amounts actually collected in future periods/years and the amounts expected will be recognized in the statement of income of those periods/ years. Objective evidence of impairment of a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio beyond the average credit period as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The carrying amount of the financial asset is reduced through the use of an allowance account. An allowance is recorded for the amount that is estimated to be impaired according to the length of time past due, the nature of any security held and other factors. Changes in the carrying amount of the allowance account are recognized in the statement of income

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

When a financial asset is not considered recoverable, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of income.

Property and equipment

Depreciable property and equipment other than land are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method.

The estimated useful lives of the principal classes of assets are as follows:

Leasehold improvements	4 years
Furniture, fixtures and office equipment	7 years
Motor vehicles	4 years
Software	7 years

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the property and equipment are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use.

Derecognition of financial assets

In accordance with the requirements of International Accounting Standard (“IAS”) 39 – “Financial Instruments: Recognition and Measurement”, the Company derecognises financial assets sold to banks if the criteria in IAS 39 for derecognition are met. Any resulting gains or losses on derecognition of financial assets are recognized at the time of derecognition.

When the Company has transferred its contractual right to receive cash flows from an asset or has entered into a “pass through” arrangement, whereby, it has assumed an obligation to pay cash flows from an asset in full without material delay to a third party, but has neither transferred nor retained substantially all 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 accordance with IAS 39.

Where the Company is appointed to service the derecognised financial asset for a service fee, the Company recognises either a net servicing asset or a net servicing liability for that servicing contract. If the service fee to be received is not expected to compensate the Company adequately for performing the service, a net servicing liability for the servicing obligation is recognised at its fair value. If the service fee to be received is expected to be more than adequate compensation for the services to be provided, a net servicing asset is recognised for the servicing right at an amount determined on a basis in accordance with generally accepted accounting principles.

Following initial recognition, net servicing assets, being intangibles assets, are carried at cost less any accumulated amortisation and any accumulated impairment losses. Net servicing assets are amortised over their definite useful economic life (in conformity with the collection arrangements with the banks) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation of net servicing assets and liabilities is charged to the statement of income.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for vehicles or services received, whether billed by the supplier or not.

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the statement of income.

Employees' terminal benefits

Provision is made for the amounts payable under the Saudi Arabian labour regulations applicable to employees' accumulated periods of service at the balance sheet date.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the statement of income unless required or permitted by generally accepted accounting principles in the Kingdom of Saudi Arabia.

Revenue

Income from capital leases and instalment sales is recognized over the period of the lease contract using a periodic rate of return calculated under the sum of digits method, which approximates to the effective interest method.

Expenses

Selling and distribution expenses are those which relate to salesmen commission, advertising and promotion, and provision for doubtful debts. All other expenses are classified as general and administration expenses.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of bank balances and cash in hand.

4 BANK BALANCES AND CASH

	<i>25 November 2014 SR</i>	<i>31 December 2013 SR</i>
Cash in hand	3,454,262	1,414,443
Bank balances	47,051,934	48,990,172
	<u>50,506,196</u>	<u>50,404,615</u>

Certain bank accounts of the Company with balances amounting to SR 45.7 million (31 December 2013: SR 15.7 million) are in the name of Mohammad Yousuf Naghi Motors Corporation, however, these bank accounts are beneficially utilized by the Company. As the Company is the beneficial owner of these bank accounts, these balances are included in the balance sheet of the Company under bank balances above.

5 PRESENT VALUE OF MARGIN DEPOSITS, NET

The Company has entered into purchase and securitisation agreements (the 'agreements') with certain local banks. Under the terms of the agreements, the Company first sells the eligible capital leases and instalments receivable to the banks and then manages them on behalf of the banks as an agent for a service fee as per the terms of the purchase and securitisation agreements.

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

5 PRESENT VALUE OF MARGIN DEPOSITS, NET (continued)

The Company only remains liable to the banks in the event of default by the customers to the extent of margin deposits maintained with the banks under the agreements. In the unlikely event of the above, and further to the below note, the Company has the right to offset against the third party. The present value of these margin deposits and the provision for guarantee for expected default of the instalments sold to banks were as follows:

	<i>25 November 2014 SR</i>	<i>31 December 2013 SR</i>
Present value of margin deposits (see below)	-	187,107,071
Less: present value of provision for guarantees	-	(64,312,270)
	<hr/>	<hr/>
	-	122,794,801
Less: Current portion	-	(3,600,000)
	<hr/>	<hr/>
Present value of margin deposits, net (non-current portion)	-	119,194,801
	<hr/> <hr/>	<hr/> <hr/>

During the period from 1 January 2014 to 25 November 2014, the Company entered into an assignment agreement with a third party ("Establishment") to assign all of its right, title and interest in the margin deposits maintained with banks under purchase and securitisation agreements with those banks in exchange for a purchase consideration of SR 240.5 million (note 7). The purchase consideration was received in full subsequent to the end of the period.

As a consequence of the assignment agreement mentioned above, the Company derecognised the net present value of the margin deposits at the time of the assignment and recognised a gain on derecognition of SR 21.6 million (note 15).

The remaining balance of the capital lease and instalments receivables which were sold to the banks, and which are required to be passed on to the banks by the Company as an agent under the agreements is SR 1,951 million (2013: SR 1,564 million).

Of the total amounts mentioned above, SR 21.02 million (31 December 2013: SR 44.1 million) relates to certain agreements originally in the name of Mohammed Yousuf Naghi Motors Corporation but are beneficially availed by the Company. These agreements will fully mature in 2016.

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

6 NET INVESTMENT IN CAPITAL LEASES AND INSTALMENT SALES

The Company finances the sale of vehicles to its customers through capital leases, where legal ownership of the vehicle is retained by the Company, and instalment sales. Capital leases represent 76% of the total gross investments shown below as at 25 November 2014:

As at 25 November 2014	<i>Current portion SR</i>	<i>Non-current portion SR</i>	<i>Total SR</i>
Gross investment in capital leases and instalment sales including unearned finance income	146,661,280	162,713,707	309,374,987
Less: Allowance for doubtful debts	(27,878,421)	(25,909,713)	(53,788,134)
Less: Unearned finance income	(19,284,979)	(21,528,444)	(40,813,423)
Net investment in capital leases and instalment sales	99,497,880	115,275,550	214,773,430

As at 31 December 2013	<i>Current Portion SR</i>	<i>Non-current portion SR</i>	<i>Total SR</i>
Gross investment in capital leases and instalment sales including unearned finance income	263,959,362	510,296,247	774,255,609
Less: Allowance for doubtful debts	(18,092,384)	(34,976,884)	(53,069,268)
Less: Unearned finance income	(82,791,857)	(55,558,658)	(138,350,515)
Net investment in capital leases and instalment sales	163,075,121	419,760,705	582,835,826

Gross investment in capital leases and instalment sales due is as follows:

	<i>25 November 2014 SR</i>	<i>31 December 2013 SR</i>
2014 and prior	40,363,828	27,527,296
2015	106,297,452	236,432,066
2016	75,923,599	263,563,476
2017	35,048,429	92,591,595
2018 and onwards	51,741,679	154,141,176
	309,374,987	774,255,609

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

6 NET INVESTMENT IN CAPITAL LEASES AND INSTALMENT SALES (continued)

a) The movement in allowance for doubtful debts is given below:

	<i>For the period from 1 January 2014 to 25 November 2014</i>	<i>For the year ended 31 December 2013</i>
	SR	SR
At the beginning of the period/ year	53,069,268	15,123,414
Charge for the period/ year (see note 17)	41,051,767	40,080,892
Written - off during the period/year	(40,332,901)	(2,135,038)
At the end of the period/year	<u>53,788,134</u>	<u>53,069,268</u>

The overdue receivables relating to certain customers as at 25 November 2014 amount to SR 40.4 million (31 December 2013: SR 27.5 million). The receivable balances not yet due from such customer's amount to SR 127.9 million as at 25 November 2014 (31 December 2013: SR 123.7 million).

	<i>25 November 2014</i>	<i>31 December 2013</i>
	SR	SR
Overdue balances:		
1 - 4 months	20,562,834	11,911,122
5 - 12 months	19,060,459	8,154,320
More than 12 months	740,535	7,461,854
	<u>40,363,828</u>	<u>27,527,296</u>

	<i>25 November 2014</i>	<i>31 December 2013</i>
	SR	SR
Not yet due balances relating to the above overdue balances:		
1 - 4 months	62,347,496	80,722,924
5 - 12 months	65,467,113	39,825,975
More than 12 months	84,040	3,186,520
	<u>127,898,649</u>	<u>123,735,419</u>

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

7 PREPAYMENTS AND OTHER RECEIVABLES

	<i>25 November</i> <i>2014</i> <i>SR</i>	<i>31 December</i> <i>2013</i> <i>SR</i>
Prepaid expenses	2,983,692	2,082,751
Insurance claims receivable	35,976,258	17,860,841
Staff advances	528,065	546,211
Receivable from assignment (note 5)	240,500,000	-
Other receivables	5,061,446	2,594,742
	<u>285,049,461</u>	<u>23,084,545</u>

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

8 PROPERTY AND EQUIPMENT

	Leasehold improvements SR	Equipment SR	Furniture and fixtures SR	Motor vehicles SR	Software SR	Total 25 November 2014 SR	Total 31 December 2013 SR
Cost:							
At the beginning of the period/year	2,024,548	4,828,875	1,152,811	1,054,521	2,681,611	11,742,366	7,183,752
Classification adjustment	-	1,090,319	-	-	(1,090,319)	-	-
Additions	175,010	889,116	25,330	159,300	-	1,248,756	4,628,614
Disposals	-	-	-	(33,000)	-	(33,000)	(70,000)
At the end of the period/year	2,199,558	6,808,310	1,178,141	1,180,821	1,591,292	12,958,122	11,742,366
Depreciation:							
At the beginning of the period/year	1,901,891	1,715,013	857,415	344,376	57,963	4,876,658	3,609,718
Classification adjustment	-	368,316	-	-	(368,316)	-	-
Charge for the period/ year (note 18)	136,146	556,932	83,221	235,200	517,736	1,529,235	1,308,340
Disposals	-	-	-	(33,000)	-	(33,000)	(41,400)
At the end of the period/year	2,038,037	2,640,261	940,636	546,576	207,383	6,372,893	4,876,658
Net book amounts:							
At 25 November 2014	161,521	4,168,049	237,505	634,245	1,383,909	6,585,229	
At 31 December 2013	122,657	3,113,862	295,396	710,145	2,623,648		6,865,708

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

9 ACCOUNTS PAYABLE

	<i>25 November 2014 SR</i>	<i>31 December 2013 SR</i>
Advances from customers	116,380	8,281,786
Other payables	46,772,324	59,295,210
	46,888,704	67,576,996

10 ACCRUALS AND OTHER LIABILITIES

	<i>25 November 2014 SR</i>	<i>31 December 2013 SR</i>
Zakat payable (see note 11)	7,525,486	7,557,513
Accrued employee benefits	5,530,644	8,413,242
Accrued advertising and commission	1,026,291	1,484,920
Other accruals	7,099,948	2,899,451
	21,182,369	20,355,126

10.1 SHORT TERM LOAN

During 2014, the Company obtained a short term bank loan to meet its working capital requirements. It is secured by invoices discounted by the bank and carries commission charges at prevailing market borrowing rates.

11 ZAKAT

The zakat charge during the period/year amounts to SR 4,457,872 (31 December 2013: SR 4,800,000) which is based on the following:

	<i>25 November 2014 SR</i>	<i>31 December 2013 SR</i>
Equity	286,591,267	188,692,674
Opening allowances and other adjustments	76,940,612	95,233,028
Less: Book value of long term assets	(234,414,344)	(702,030,628)
	129,117,535	(418,104,926)
Adjusted net income	45,286,318	146,155,292

The differences between the financial and Zakatable results for the period/year are due to certain adjustments made in accordance with the relevant fiscal regulations.

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

11 ZAKAT (continued)

Movement in provision during the period/year

The movement in the zakat provision for the period/year was as follows:

	<i>For the period from 1 January 2014 to 25 November 2014</i>	<i>For the year ended 31 December 2013</i>
	SR	SR
At the beginning of the period/year	7,557,513	3,945,048
Provided during the period/ year	4,457,872	4,800,000
Payments during the period/ year	(4,489,899)	(1,187,535)
At the end of the period/ year (note 10)	<u>7,525,486</u>	<u>7,557,513</u>

Status of assessments

Zakat assessments have been agreed with the Department of Zakat and Income Tax up to 31 December 2008. The assessments for the years ended 31 December 2009 through 31 December 2013 have not yet been raised.

12 CAPITAL

The capital as at 25 November 2014 is divided in to 10 million shares (2013: 10,000 shares) of SR 10 each (2013: 10,000). (note 1)

On 24 Safar 1434 H (corresponding to 7 July 2013), the partners approved the increase of the Company's capital from SR 1 million to SR 100 million by capitalizing SR 99 million from retained earnings. The increased capital was divided into 10,000 shares of SR 10,000 each. The legal formalities relating to this increase were completed during 2013.

13 STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its income after zakat until it has built up a reserve equal to one half of the capital. The reserve is not available for distribution. As the Company incurred a net loss for the year, no transfer has been made to statutory reserve.

Aqsat International Trading Company Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 1 January 2014 to 25 November 2014

14 TRANSACTIONS WITH AFFILIATES

In the ordinary course of business, the Company purchases and pays for vehicles from an affiliated company on an arm's length basis. The following are the details of major related party transactions during the period/year and the related balances at the period/year end:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>			<i>Balance</i>
		<i>For the period from 1 January 2014 to 25 November 2014</i>	<i>For the year ended 31 December 2013</i>	<i>25 November 2014</i>	
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>31 December 2013</i>
<i>Due to affiliates</i>					
Mohammed Yousuf Naghi Motors Corporation	Purchase of cars and allocation of common costs by the affiliate	811,968,198	1,626,790,077	-	187,967,269
Arabian Trading Supplies	Payable for services received	7,103,518	-	1,963,996	-
Partner's Current Account	Short term interest free loan received from partner	149,350,000	150,000,000	-	149,350,000
Total				1,963,996	337,317,269
Due from affiliates					
Mohammed Yousuf Naghi Motors Corporation	Advanced against the purchase of the cars	108,411,484	-	108,411,484	-
United Yousuf Naghi Motors Corporation	Installments settled in respect of car financing to affiliate's employees	800,958	1,245,218	1,169,546	1,041,164
Hafil Hajj Transport Establishment	Installments settled in respect of car financing to affiliate's employees	1,084,647	531,481	2,933,941	2,849,294
Jiad Company	Installments settled in respect of car financing to affiliate's employees	28,446	28,018	123,628	95,182

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

14 TRANSACTIONS WITH AFFILIATES (continued)

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>		<i>Balance</i>	
		For the period from 1 January 2014 to 25 November 2014 SR	For the year ended 31 December 2013 SR	25 November 2014 SR	31 December 2013 SR
<i>Due from affiliates</i>					
Arabian Trading Supplies	Cost invoiced from an affiliate	7,103,518	5,829,826	-	434,247
				112,638,599	4,419,887

15 REVENUE AND NET GAINS ON FINANCIAL ASSETS

Revenue includes finance income from capital lease and instalment sales.

Revenue also includes service fee income under purchase and securitisation arrangements, amounting to SR 22.5 million (31 December 2013: SR 10.9 million).

Revenue also includes net gain on sale of financial assets under purchase and securitisation agreements during the period 1 January 2014 to 25 November 2014 amounting to SR 39.7 million (31 December 2013: SR 84 million), representing gross gain on sale of SR 125.5 million (31 December 2013: SR 214.1 million) offset by provisions relating to net servicing liability (net of servicing asset), guarantee, and margin deposits of SR 85.8 million (31 December 2013: SR 130 million). In addition, it also includes income on unwinding of provisions relating to financial assets derecognised in prior periods/years, amounting to SR 65.2 million (31 December 2013: SR 47.5 million).

In addition to above, revenue also includes net gain on sale of financial assets under an assignment agreement entered into during the period amounting to SR 21.6 million (31 December 2013: SR Nil) (note 5).

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

16 DIRECT COSTS

	For the period from 1 January 2014 to 25 November 2014 SR	For the year ended 31 December 2013 SR
Employee related costs	27,944,461	30,931,725
Insurance	70,000,306	54,098,132
Other direct costs	20,286,620	13,550,465
	<u>118,231,387</u>	<u>98,580,322</u>

17 SELLING AND DISTRIBUTION

	For the period from 1 January 2014 to 25 November 2014 SR	For the year ended 31 December 2013 SR
Sales commission	5,551,808	4,902,230
Advertising and promotion	123,706	1,004,645
Provision for doubtful debts (see note 6a)	41,051,767	40,080,892
Doubtful debts -directly written-off	53,069,268	-
Other	2,097,729	1,259,406
	<u>101,894,278</u>	<u>47,247,173</u>

18 GENERAL AND ADMINISTRATION

	For the period from 1 January 2014 to 25 November 2014 SR	For the year ended 31 December 2013 SR
Expense re-charged by an affiliate (see note below)	2,975,000	5,246,615
Office rent	523,850	644,197
Depreciation (note 8)	1,529,235	1,308,340
Other	7,182,648	7,279,909
	<u>12,210,733</u>	<u>14,479,061</u>

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

18 GENERAL AND ADMINISTRATION (continued)

Expenses re-charged by an affiliate represent allocation of common costs by Mohammed Yousuf Naghi Motors Corporation for certain shared services.

19 OTHER INCOME

	For the period from 1 January 2014 to 25 November 2014 SR	For the year ended 31 December 2013 SR
Recovery of debts previously written off	2,696,586	6,598,370
Other income	57,362	21,896
	<u>2,753,948</u>	<u>6,620,266</u>

20 RISK MANAGEMENT

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of the financial instruments. The Company is exposed to interest rate fair value risk upon sale of its receivables to the banks. The management limits the interest rate risk by monitoring changes in interest rates in the currencies in which its interest bearing financial instruments are denominated.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. Additionally, the Company retains the ownership of the leased assets as collateral until the full payment by customers for the leased assets and in case of instalment sales the Company mitigates the credit risk by obtaining personal guarantees. The Company's sales are made to a large number of customers and the Company is not exposed to concentration risk on any single customer.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Company's financial liabilities primarily consist of accounts payable, due to affiliates, short-term loan and other liabilities. A significant portion of financial liabilities are contractually due for settlement within 12 months from the balance sheet date and the Company has adequate unutilised securitisation and loan facilities with banks to settle these liabilities.

Currency risk

The Company does not have any financial instruments denominated in foreign currency and as such is not exposed to any currency risk.

Aqsat International Trading Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the period from 1 January 2014 to 25 November 2014

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of bank balances and cash, net investment in capital leases and instalment sales, due from affiliates, margin deposits, staff advances and insurance claims receivable; and its financial liabilities consist of accounts payable, due to affiliates, short-term loan and other liabilities.

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

22 FINANCE LEASE RECEIVABLES AND PURCHASE AGREEMENTS

In accordance with the terms of certain lease receivable purchase agreements, the Company has sold finance lease receivables to the banks.

The Company continues to manage these off-balance sheet finance lease receivables as a servicer in accordance with the service agreements entered into with the banks (refer note 5). The Company is continuing to manage these sold receivables for an agreed fee which is disclosed as income (note 5). These receivables are secured by promissory notes from the customers.

The outstanding position of such off balance sheet finance lease receivables is as follows:

	<i>25 November 2014 SR</i>	<i>31 December 2013 SR</i>
Balance of outstanding finance lease receivables relating to securitization and Sukuk agreements (see note below)	1,951,279,447	1,563,772,798
Gross amount of servicing asset	82,322,029	44,211,818
Gross amount of servicing liability	141,670,938	116,616,412

The maturity analysis of above outstanding finance lease receivables as of 25 November 2014 is as follows:

	<i>Upto 12 months from 25 November 2014</i>	<i>More than 12 months from 25 November 2014</i>
	781,502,451	1,169,776,996
	<i>Upto 1 year</i>	<i>More than 1 year</i>
31 December 2013	549,127,494	1,014,645,304