

NCB CAPITAL COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016
with
INDEPENDENT AUDITORS' AUDIT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

The Shareholders
NCB Capital Company
(A Saudi Closed Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of NCB Capital Company (the "Company") and its subsidiaries (collectively "the Group") which comprise the consolidated balance sheet as at December 31, 2016 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 21 which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with the Regulations for Companies and Company's bylaws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

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

- 1) present fairly, in all material respects, the financial position of NCB Capital Company and its subsidiaries as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and
- 2) comply with the requirements of the Regulations for Companies and the Company's bylaws with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382



Jeddah, Jumada Al Awal 30, 1438H
Corresponding to February 27, 2017

NCB CAPITAL COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET
As at December 31, 2016
(Expressed in Saudi Riyals ‘000)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Assets			
Current assets			
Cash and cash equivalents	4	113,032	516,754
Amount due from The National Commercial Bank	17 (a)	2,586	5,707
Investments	5	760,228	847,209
Prepayments and other assets - current portion	6	110,703	92,171
Total current assets		986,549	1,461,841
Non-current assets			
Investments	5	72,471	64,211
Prepayments and other assets - non-current portion	6a & 6c	9,316	7,334
Investment in associates, net	7	25,196	25,221
Property, equipment and software	8	172,990	171,966
Total non-current assets		279,973	268,732
Total assets		1,266,522	1,730,573
Liabilities and equity			
Liabilities			
Current liabilities			
Dividend payable	9	10,409	372,405
Amount due to The National Commercial Bank	17 (a)	19,922	6,195
Accounts payable, accruals and other liabilities	10	166,386	191,762
Total current liabilities		196,717	570,362
Non-current liabilities			
Employee benefits	11	50,646	60,987
Total liabilities		247,363	631,349
Equity			
Share capital	12	1,000,000	1,000,000
Shares held under employees' share based payments scheme	13 (d)	(202,904)	(181,215)
Statutory reserve		104,248	80,248
Other reserves		(3,295)	11,953
Equity-settled employees' share based payments scheme	13	19,173	10,194
Retained earnings		91,399	165,293
Equity attributable to equity holders of the parent		1,008,621	1,086,473
Non-controlling interest		10,538	12,751
Total equity		1,019,159	1,099,224
Total liabilities and equity		1,266,522	1,730,573

The accompanying notes 1 through 21 form an integral part of these consolidated financial statements.

NCB CAPITAL COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2016
(Expressed in Saudi Riyals ‘000)

	<i>Notes</i>	<u>2016</u>	<u>2015</u>
Fees from services, net			
- Asset Management		322,526	363,526
- Brokerage		197,776	274,446
- Investment Banking		43,275	39,541
		<u>563,577</u>	<u>677,513</u>
Income from held for trading investments, net		9,806	2,752
Exchange loss		(187)	(703)
Total operating income		<u>573,196</u>	<u>679,562</u>
Salaries and employee related expenses		207,558	227,648
Rent and premises related expenses		13,056	11,435
Depreciation	8	34,825	24,072
Impairment in available-for-sale investments		--	686
Other general and administrative expenses	14	99,508	106,800
Total operating expenses		<u>354,947</u>	<u>370,641</u>
Net operating income for the year		<u>218,249</u>	<u>308,921</u>
Other income		10,976	14,964
Share of results in associates, net	7	18,141	77
Total non-operating income		<u>29,117</u>	<u>15,041</u>
Net income for the year before Zakat		<u>247,366</u>	<u>323,962</u>
Zakat expense for the year	10 (b)	<u>(27,330)</u>	<u>(35,000)</u>
Net income for the year after Zakat		<u>220,036</u>	<u>288,962</u>
Attributable to:			
- Equity holders of the parent		213,166	291,535
- Non-controlling interests		6,870	(2,573)
		<u>220,036</u>	<u>288,962</u>
Basic and diluted earnings per share (SR) – attributable to equity holders of the parent	15	<u>2.30</u>	<u>3.14</u>

The accompanying notes 1 through 21 form an integral part of these consolidated financial statements.

NCB CAPITAL COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASHFLOWS
For the year ended December 31, 2016
(Expressed in Saudi Riyals '000)

	<i>Notes</i>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:			
Net income for the year before non-controlling interests and Zakat		247,366	323,962
<i>Adjustments to reconcile net income to net cash from operating activities:</i>			
Income from held for trading investments, net		(9,806)	(2,752)
Share of results in associates	7	(18,141)	(77)
Equity-settled employees' share based payments scheme	13	16,471	10,887
Exchange loss		187	703
Impairment in available-for-sale investments		--	686
Depreciation	8	34,825	24,072
Interest (income) on held to maturity investments		(294)	--
Loss on disposal of property, equipment and software		--	18
(Gain) on disposal of available-for-sale investments		(7,695)	(280)
		262,913	357,219
<i>Working capital adjustments</i>			
Prepayments and other assets		(20,697)	(44,142)
Held for trading investments		146,976	290,683
Employees' end of service benefits, net		(2,451)	(7,036)
Amounts due from / to The National Commercial Bank, net		16,848	(6,123)
Accounts payable and accruals		(52,649)	(74,703)
Net cash from operating activities		350,940	515,898
Cash flows from investing activities:			
Purchase of property, equipment and software	8	(35,849)	(45,229)
Purchase of available-for-sale investments		(548)	(1,432)
Proceeds from disposal of property, equipment and software		--	12
Disposal of available-for-sale investments		13,862	11,842
Purchase of held to maturity investments		(70,000)	--
Net cash used in investing activities		(92,535)	(34,807)
Cash flows from financing activities:			
Dividend paid	9	(640,438)	(2,439)
Acquisition of non-controlling interest		--	(26,539)
Movement in non-controlling interests		--	(32,078)
Purchase of shares held under employees' share based payments scheme by Baco	13 (d)	(21,689)	(103,832)
Net cash used in financing activities		(662,127)	(164,888)
Net (decrease) / increase in cash and cash equivalents		(403,722)	316,203
Cash and cash equivalents at beginning of the year		516,754	200,551
Cash and cash equivalents at end of the year	4	113,032	516,754

The accompanying notes 1 through 21 form an integral part of these consolidated financial statements.

NCB CAPITAL COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASHFLOWS
For the year ended December 31, 2016
(Expressed in Saudi Riyals ‘000)

NON-CASH SUPPLEMENTARY INFORMATION

Dividend declared during the year	9	<u>300,000</u>	<u>400,771</u>
Net unrealized gain on available-for-sale investments		<u>1,530</u>	<u>4,745</u>
Dividend on unallocated / forfeited shares	9	<u>21,558</u>	<u>28,656</u>
Re-measurement gain on employees' end of service benefits	11 (a)	<u>7,890</u>	<u>--</u>

The accompanying notes 1 through 21 form an integral part of these consolidated financial statements.

NCB CAPITAL COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2016
(Expressed in Saudi Riyals ‘000)

	Attributable to equity holders of the parent								
	<i>Share capital</i>	<i>Shares held under employees' share based payments scheme</i>	<i>Statutory reserve</i>	<i>Other reserves</i>	<i>Equity-settled employees' share based payments scheme</i>	<i>Retained earnings</i>	<i>Subtotal</i>	<i>Non-controlling interest</i>	<i>Total</i>
Balance as at January 1, 2016	1,000,000	(181,215)	80,248	11,953	10,194	165,293	1,086,473	12,751	1,099,224
Income for the year	--	--	--	--	--	213,166	213,166	6,870	220,036
Net unrealized gain on available-for-sale investments	--	--	--	1,530	--	--	1,530	--	1,530
Realized gain on available-for-sale investments transferred to Consolidated Statement of Income	--	--	--	(7,695)	--	--	(7,695)	--	(7,695)
Share of associates' other reserves (note 7)	--	--	--	(9,083)	--	--	(9,083)	(9,083)	(18,166)
Equity-settled employees' share based payments scheme (note 13)	--	--	--	--	16,471	--	16,471	--	16,471
Transfer from equity-settled employees' share based payments scheme to retained earnings (note 13 (b))	--	--	--	--	(7,492)	7,492	--	--	--
Transfer to statutory reserve	--	--	24,000	--	--	(24,000)	--	--	--
Re-measurement gain on employees' end of service benefits (note 11 (a))	--	--	--	--	--	7,890	7,890	--	7,890
Purchase of shares held under employees' share based payments scheme by Baco (note 13 (d))	--	(21,689)	--	--	--	--	(21,689)	--	(21,689)
Dividend declared during the year (note 9)	--	--	--	--	--	(300,000)	(300,000)	--	(300,000)
Dividend on forfeited / unallocated shares (note 9)	--	--	--	--	--	21,558	21,558	--	21,558
Balance as at December 31, 2016	1,000,000	(202,904)	104,248	(3,295)	19,173	91,399	1,008,621	10,538	1,019,159

The accompanying notes 1 through 21 form an integral part of these consolidated financial statements.

NCB CAPITAL COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016

(Expressed in Saudi Riyals '000)

	Attributable to equity holders of the parent							Non-	
	<i>Share</i>	<i>Shares held</i>	<i>Statutory</i>	<i>Other</i>	<i>Equity-</i>	<i>Retained</i>	<i>Subtotal</i>	<i>controlling</i>	<i>Total</i>
	<i>capital</i>	<i>under</i>	<i>reserve</i>	<i>reserves</i>	<i>settled</i>	<i>earnings</i>		<i>interest</i>	
		<i>employees'</i>			<i>employees'</i>				
		<i>share based</i>			<i>share based</i>				
		<i>payments</i>			<i>payments</i>				
		<i>Scheme</i>			<i>scheme</i>				
Balance as at January 1, 2015	1,000,000	(77,383)	47,748	8,766	8,250	292,384	1,279,765	52,584	1,332,349
Income / (loss) for the year	--	--	--	--	--	291,535	291,535	(2,573)	288,962
Net unrealized gain on available-for-sale Investments	--	--	--	4,745	--	--	4,745	--	4,745
Share of associates' other reserves (note 7)	--	--	--	(1,558)	--	--	(1,558)	(1,558)	(3,116)
Equity-settled employees' share based payments scheme	--	--	--	--	10,887	--	10,887	--	10,887
Transfer from equity-settled employees' share based payments scheme to retained earnings (note 13 (b))	--	--	--	--	(8,943)	8,943	--	--	--
Transfer to statutory reserve	--	--	32,500	--	--	(32,500)	--	--	--
Acquisition of NCI without change in control	--	--	--	--	--	(22,954)	(22,954)	(3,585)	(26,539)
Purchase of shares held under employees' shares based payment scheme by Baco (note 13 (d))	--	(103,832)	--	--	--	--	(103,832)	--	(103,832)
Dividend declared during the year (note 9)	--	--	--	--	--	(400,771)	(400,771)	--	(400,771)
Dividend on forfeited / unallocated shares (note 9)	--	--	--	--	--	28,656	28,656	--	28,656
Other movement in non-controlling interests	--	--	--	--	--	--	--	(32,117)	(32,117)
Balance as at December 31, 2015	<u>1,000,000</u>	<u>(181,215)</u>	<u>80,248</u>	<u>11,953</u>	<u>10,194</u>	<u>165,293</u>	<u>1,086,473</u>	<u>12,751</u>	<u>1,099,224</u>

The accompanying notes 1 through 21 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016
Expressed in Saudi Riyals '000

1. GENERAL

These consolidated financial statements comprise the financial statements of NCB Capital Company ("the Company" or "NCBC") and its subsidiaries (hereinafter collectively referred to as "the Group"). NCB Capital, a Saudi Joint Stock Company, was formed in accordance with Capital Market Authority's Resolution No. 2-83-2005 dated Jumad Awal 21, 1426H (June 28, 2005), and registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010231474 dated Rabi Awal 29, 1428H (April 17, 2007). The ownership structure of the Company is detailed in note 12.

The Company has operations in Kingdom of Saudi Arabia and its Head Office is located at the following address:

NCB Capital Head Office
NCB Regional Building
Al Maather Street
P.O. Box 22216
Riyadh 11495
Saudi Arabia

The objective of the Company is to conduct the following Securities Activities, as defined in the Securities Business Regulations (Regulation No 2-83-2005 dated Jumad Awal 21, 1426H issued by the Board of the Capital Market Authority):

- a) Dealing;
- b) Arranging;
- c) Managing;
- d) Advising; and
- e) Custody

The Board of Directors of the Company in its meeting held on April 29, 2015 resolved to liquidate the Bahrain Branch operations (the "Branch" or "Bahrain Branch") with effect from September 30, 2015 and place the Branch into voluntary liquidation. Consequently, all the assets and liabilities of the Branch have been transferred to the Head Office at their carrying values. No adjustment has been made in these consolidated financial statements arising as a result of liquidation of Bahrain Branch operations. As of December 31, 2016 the legal proceedings to liquidate the Branch are under process.

These consolidated financial statements include the financial statements of the Company and following subsidiaries as at and for the year ended December 31, 2016.

Oryx Regional Private Equity Fund

The Company has a 50% (2015: 50%) ownership interest in Oryx Regional Private Equity Fund (the "Fund"), which was formed on February 12, 2007 as a closed-ended investment fund. The remaining 50% interest in the Fund is owned by The National Commercial Bank (The "Bank"). The Fund has been established for a period ending on the tenth anniversary of the initial closing date, that has been extended for one year as per the Fund Rule Book. The Company acquired control over the Fund as at April 17, 2007. The Fund's objective is to invest in companies which have a strong competitive advantage and good growth potential. The Fund's primary geographic focus for investment is the Middle East and North Africa (MENA) region.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016
Expressed in Saudi Riyals ‘000

1. GENERAL (continued)

NCB Capital Dubai Inc. (formerly known as Eastgate Capital Holdings Inc.)

Effective January 1, 2008, the Company acquired control over NCB Capital Dubai Inc. (“NCBC Dubai”) [an exempt company with limited liability incorporated in the Cayman Islands] and its subsidiaries from the Bank at book value which approximated to its fair value. The takeover of the business was facilitated by the incorporation of NCB Capital (DIFC) Limited (formerly known as Eastgate Capital Group Inc.).

The objective of NCB Capital Dubai Inc. is to source, structure and invest in attractive private equity and real estate development opportunities across emerging markets, with a particular focus on the MENA region.

During the year ended December 31, 2015, the Company acquired remaining 30% ownership interest in Eastgate Capital Holdings Inc through purchase of shares from shareholders of Eastgate Capital Holdings Inc. for consideration of SR 26.54 million, thereby, increasing the ownership interest in the Company to 100%.

The name of the Eastgate Capital Holdings Inc. has been changed to NCB Capital Dubai Inc. with effect from March 16, 2016.

The Capital Partnership (Cayman) Holdings Limited

The Capital Partnership (Cayman) Holdings Limited (“TCPCHL”), registered in the Cayman Islands was formed as a special purpose entity with the principal objective of acquisition of The Capital Partnership Group Limited (“TCPG”).

The Company will start the process of liquidating TCPCHL subject to the lapse of certain provisions of share buy-back agreement signed with respect to the disposal of the ownership interest in TCPG. The legal formalities in respect of disposal of ownership interest in TCPG were completed during November 2012.

Baco W.L.L. (“Baco”)

Baco is a limited liability company incorporated in the Kingdom of Bahrain on January 16, 2007. It is a structured entity formed for the sole purpose of executing the Company's employees' share based payments scheme and is fully owned by the Company.

NCBC Investment Management Umbrella Company Plc

The Company has 100% (2015: 100%) ownership in NCBC Investment Management Umbrella Company Plc (“Umbrella Company”), a company incorporated in Ireland under the provisions of the European Communities (Undertakings for Collective Investment in Transferable Securities “UCITS”) Regulation 2011. Authorization certificate for the commencement of operations of the Umbrella Company was received in November 2012 from the Central Bank of Ireland, pursuant to which it launched two funds (“NCB Capital Saudi Arabian Equity Fund” and “NCB Capital GCC Equity Fund”), which were registered in Dublin and pre-approved by the Capital Markets Authority through its letter dated May 6, 2010 to carry out their activities in the Kingdom of Saudi Arabia.

On August 29, 2016, the Company resolved to voluntary liquidate the operations of Umbrella Company with immediate effect. At December 31, 2016, the legal proceedings to liquidate the Company are under process. Moreover, as of December 31, 2016, NCB Capital KSA Equity Fund and NCB Capital GCC Equity Fund and the related SPV's i.e. NCB Capital KSA Equity Company W.L.L. and NCB Capital GCC Equity Company W.L.L. stand liquidated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016
Expressed in Saudi Riyals ‘000

1. GENERAL (continued)

NCB Capital Real Estate Investment Company

On September 8, 2013, the Company formed a special purpose entity, NCB Capital Real Estate Investment Company (“REIC”), registered in the Kingdom of Saudi Arabia. The primary objective of REIC is to hold and register the real estate assets on behalf of real estate funds managed by the Company.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by Saudi Organization of Certified Public Accountants (“SOCPA”) as per the requirements of Capital Market Authority (“CMA”). These consolidated financial statements were approved by the Board of Directors on February 14, 2017.

The new Regulation for Companies issued through Royal Decree M/3 on 11 November 2015 (hereinafter referred as “The Law”) came into force on 25/07/1437H (corresponding to 2 May 2016). The Company has to amend its bylaws for any changes to align the Articles to the provisions of The Law. Consequently, the Company shall present the amended bylaws to stockholders in their Extraordinary General Assembly meeting for their ratification. The full compliance with The Law is expected not later than 24/07/1438H (corresponding to 21 April 2017).

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for the measurement at fair value of held for trading and available-for-sale investments.

c) Functional and presentation currency

These consolidated financial statements have been presented in Saudi Riyals (SR), which is the functional currency of the Company. The financial information have been rounded off to the nearest thousand.

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended December 31, 2016 (note 1).

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Company in its subsidiaries and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from company’s shareholders’ equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016
Expressed in Saudi Riyals '000

2. BASIS OF PREPARATION (continued)

e) Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and accompanying disclosures and disclosures of contingent liabilities. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revision to accounting estimates are recognized in the period in which the estimate is revised and any future period affected.

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

(i) Classification of investments

Upon acquisition of an investment, management decides whether it should be classified as investments held for trading, held to maturity or available-for-sale. Classification of investments depends on certain criteria as stated in note 3 (g).

(ii) Valuation of investments in hedge funds and unquoted private equity funds

Investments in hedge funds, classified under 'Held for trading' investments, are valued based on the net assets values provided by the underlying fund administrator or fund manager as at the year end.

(iii) Impairment of available-for-sale equity investments

The Group exercises judgment to consider impairment on the available for sale equity investments. This includes determination of a significant or prolonged decline in the fair value below cost. The determination of what is 'significant' or 'prolonged' requires judgment. In addition, the Group considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. The Group considers 30% or more, as a reasonable measure for significant decline below cost, irrespective of the duration of the decline, and is recognized in the consolidated statement of income as provision for impairment in investments. Prolonged decline represents decline below cost that persists for 1 year or longer irrespective of the amount and is, thus, recognized in the consolidated statement of income as impairment in investments.

(iv) Impairment of non-financial assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent to those from other assets or groups. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows based on earnings are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are identified, it is based on discounted future cash flow calculations of future distributable dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2016
Expressed in Saudi Riyals '000

2. BASIS OF PREPARATION (continued)

e) Significant accounting judgments, estimates and assumptions (continued)

(v) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for equity-settled employees' share-based payment scheme transactions are disclosed in note 13.

(vi) End of service benefits

The cost of the defined benefit plan (end of service benefits) and the present value of the end of service benefits obligation are determined using external actuarial valuations. An external actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

(vii) Going concern

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

Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a) Foreign currencies

The consolidated financial statements are presented in Saudi Riyals, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the subsidiaries and an associate Eastgate Global Carrying Vehicle L.P. is U.S Dollars and of the other associate H.C Securities and Investment S.A.E is Egyptian Pounds.

Foreign currency transactions of individual Group companies are translated into functional currency at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are retranslated into functional currency at the rates ruling at the balance sheet dates. Any differences are taken to the consolidated statement of income.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Foreign currencies (continued)

On consolidation, the results of overseas operations are translated into Saudi Riyals at rates approximating to those ruling when the transactions took place. All assets and liabilities of the foreign subsidiaries and associated undertakings are translated into Saudi Riyals at the rates of exchange ruling on the balance sheet date. Exchange differences arising on translation are taken directly to a separate component of statement of changes in equity (foreign exchange retranslation reserve relating to subsidiaries under 'other reserves').

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and any differences are taken to the consolidated statement of changes in equity. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

b) Settlement date accounting

All regular way purchases and sales of financial assets are recognized and derecognized on the settlement date, i.e. the date on which the asset is delivered to the counterparty. When settlement date accounting is applied, the Group accounts for any change in fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

c) Property, equipment and software

Property, equipment and software are stated at cost and presented net of accumulated depreciation and accumulated impairment losses, if any. Freehold land and capital work in progress is not depreciated. The cost of other property, equipment and software is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	5 years
Furniture and fixtures	10 years
Equipment	6 to 7 years
Software and licences	4 years
Motor vehicles	5 years
Buildings and structures	40 years

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of income.

Property, equipment and software are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

e) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and is measured at fair value with changes in fair value recognised either in consolidated statement of income or as a charge to consolidated statement of changes in equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in the consolidated statement of income.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

f) Investment in associates

The Group's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate.

Losses in excess of the cost of the investment in an associate are recognised when the Group has incurred obligations on its behalf. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated statement of income reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income. The recoverable amount of the investment in the associate is considered to be the higher of fair value less costs to sell and its value in use.

Gains or losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates. The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

g) Investments

All investment securities are measured at fair value, including acquisition charges associated with the investment at that date (acquisition date) except for those transaction charges related to investments held for trading, which are not added to the cost at initial recognition and are charged to the consolidated statement of income. Premiums and discounts on investments (excluding those classified as held for trading) are amortised using the effective interest rate method and recognised in the consolidated statement of income.

For securities that are traded in organised financial markets, the fair value is determined by reference to exchange quoted market bid prices at the close of the business on the reporting date.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Investments (continued)

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same, or is based on the expected cash flows or the underlying Net Asset Value (NAV) which is reflective of the fair value of these securities.

The subsequent period end accounting treatment for each class of investments are determined on the basis as set out in the following paragraphs:

Held for trading

Investments classified as held for trading, are acquired principally for the purpose of selling or repurchasing in the short term. Securities which are held for trading are subsequently measured at fair value and any gain or loss arising from a change in fair value is included in the consolidated statement of income in the period in which it arises and is disclosed as 'income from held for trading investments, net'.

Available for sale investments

Available-for-sale investments are non-derivative investments that are designated as AFS or not classified as another category of financial assets, and are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investments which are classified as available for sale are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities whose fair value cannot be reliably measured are carried at cost. Any unrealised gains or losses arising from changes in fair value are recognized directly in consolidated statement of changes in equity under "other reserves" until the investments are derecognized or impaired whereupon any cumulative gains or losses previously recognized in equity are reclassified to consolidated statement of income for the period and are disclosed as gains/(losses) on non-trading investments.

Held to Maturity Investments

Investments having fixed or determinable payments and fixed maturity that the management has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in their value. Amortised cost is calculated by taking into account any discount or premium on acquisition using the effective yield method. Any gain or loss on such investments is recognized in the Consolidated Statement of Income when the investment is derecognized or impaired. On impairment, the difference between carrying value and the present value of estimated future cash flows is included in the Consolidated Statement of Income as impairment loss on held to maturity investments. If the amount of impairment loss is subsequently decreased and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through Consolidated Statement of Income.

Investments classified as held to maturity cannot ordinarily be sold or reclassified without impacting the Group's ability to use this classification and cannot be designated as a hedged item with respect to special commission rate or prepayment risk, reflecting the intention to hold them to maturity.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. For available-for-sale investments carried at fair value, impairment loss, which is the difference between cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in the consolidated statement of income, is transferred from the consolidated statement of changes in equity to the consolidated statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the consolidated statement of income.

Impairment is determined as follows:

- a. For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the profit and loss;
- b. For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- c. For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Financial assets are written off only in circumstances where all possible means of recovery have been exhausted.

i) Equity-settled employees' share based payments scheme

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statement of income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

In cases, where an award is forfeited (i.e. when the vesting conditions relating to award are not satisfied), the Group reverses the expense relating to such awards previously recognized in the consolidated statement of income.

Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Employees’ benefits

Post-employment benefits

The Group’s net obligations in respect of defined unfunded post-employment benefit plan (“the plan”) is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs. The discount rate used is the market yield on government bonds at the reporting date that have maturity dates approximating the terms of the Company’s obligations. The cost of providing benefits under the defined benefits plan is determined using the projected unit credit method to determine the Company’s present value of the obligation. As at the balance sheet date, the Company’s post-employment defined benefit plan is represented by employees’ end of service benefit plan.

The Company operates a contribution benefit plan ('the plan') for all the employees wherein all the employees are encouraged to contribute 5% of the basic salary before any benefits or deductions, and the Company contributes a certain percentage according to specified rules of the plan, starting from 10% up to maximum of 200% of the employee's cumulative contribution based on the number of years of an employee’s enrollment in the plan. Obligations for contributions to the plan are recognized as employee benefit expense in consolidated statement of income in the period during which related services are rendered by employees.

Termination benefits

Termination benefits are recognized as an expense when the Group is demonstrably committed without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before retirement date, or to provide termination benefits as a result of an offer to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer for voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

k) Deferred income

Deferred income represents the subscription fee income received by securities division from its customers relating to the future periods. The subscription fee income is recognized over the period of subscription in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Accounts payable, accruals and other liabilities

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

m) Provisions, contingencies and commitments

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured. Certain provisions are based on management’s estimate of the actual amount payable. The provision has been included in ‘accounts payable, accruals and other liabilities’.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and is included in ‘other income’ in the consolidated statement of income.

Contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognized because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized and are disclosed, unless the probability of an outflow of resources embodying economic benefits is remote.

Commitments represent binding agreements of the Group to carry out specified courses of action involving in a transfer of cash or other asset to the respective counterparties. For details of Group’s contingencies and commitments at the reporting date, please refer note 19.

n) Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations and is computed as the higher of Company’s Zakat base or the “adjusted profits” for the period. Zakat is paid by the Company on behalf of the shareholders and is charged to the consolidated statement of income.

o) Revenue recognition

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

Fees and commissions

Fees and commissions are recognized on an accrual basis when the service has been provided.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Revenue recognition (continued)

Portfolio and other management advisory and service fees

Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Fees received on other services that are provided over an extended period of time, are recognized ratably over the period when the service is being provided, if material.

Interest income

Interest income is recognized in the consolidated statement of income on the effective yield basis.

Dividend income

Dividend income is recognized when the right to receive payment is established.

p) Cash and cash equivalents

For the purpose of the statement of cash flows, ‘cash and cash equivalents’ are defined as the amount included in balances with banks with an original maturity of less than ninety days.

q) Derecognition of financial instruments

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognized, when the contractual rights to the cash flows from the financial asset expires. A financial liability (or a part of financial liability) can only be derecognized when it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expired.

r) Offsetting

Financial assets and financial liabilities are offset and reported net in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under accounting standards generally accepted in the Kingdom of Saudi Arabia, or for gains and losses arising from a group of similar transactions.

s) Operating segment

A segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segmental reporting is based on business segments. The business segments are determined based on Group's management and internal reporting structure.

t) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group, and accordingly, are not included in the consolidated financial statements.

u) Shares held under employees' shares scheme

The Company's own equity instruments which are reacquired through Baco (i.e. shares held under employees' shares scheme) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in ‘retained earnings’ component of equity in the consolidated statement of equity.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Transactions with NCI

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

w) Statutory reserve

“In accordance with the Company's bylaws and the previous Saudi Arabian Regulations for Companies, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 50% of the share capital. The new Saudi Arabian Regulations for Companies that came into effect on 25 Rajab 1437H (corresponding to May 2, 2016) requires companies to set aside 10% of its net income each year as statutory reserve until such reserve reaches 30% of the share capital. The Company is currently in the process of amending its bylaws as described in note 2a.

This reserve is currently not available for distribution to the shareholders of the Company”.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, include:

	<u>2016</u>	<u>2015</u>
Balances with banks	112,914	516,637
Cash in hand	118	117
	<u>113,032</u>	<u>516,754</u>

Cash at banks have been placed with reputable local and international banks having sound credit ratings.

5. INVESTMENTS

Investments are classified as follows:

	<u>2016</u>	<u>2015</u>
(i) Held for Trading :		
- Mutual funds and direct equities managed by the Group	708,201	737,083
- Unquoted hedge funds	1,777	110,126
(ii) Held to Maturity:		
- Sukuk (see note “a” below)	20,044	--
- Murabaha placement (see note “b” below)	50,250	--
(iii) Available-for-sale:		
- Unquoted private equity funds, net	52,427	64,211
Total	<u>832,699</u>	<u>911,420</u>

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5. INVESTMENTS (continued)

- a) This represents investment in unrated Sukuk with nominal value of SR 20 million, carrying profit payable semi-annually at 6-months SIBOR plus 2.35, and principal maturing in June 16, 2021.
- b) This represents Murabaha placement with The National Commercial Bank of SR 50 million, maturing on February 2, 2017 and carrying profit at 3% p.a.
- c) As at December 31, 2016, the Group has commitments totaling SR 2.72 million (2015: SR 3.26 million) in respect of private equity investments.

6. PREPAYMENTS AND OTHER ASSETS

	<u>2016</u>	<u>2015</u>
Accrued income	77,971	64,554
Advance against purchase of investment (note 17 (c))	20,000	--
Staff loans (note 'a' below)	11,193	11,894
Trade receivables and other current assets (note 'b' & 'c' below)	10,855	23,057
	<u>120,019</u>	<u>99,505</u>

- a. Non-current portion of staff loans amounted to SR 8.82 million (2015: SR 7.33 million) at the balance sheet date.
- b. During the year, deposits amounting to SR 9.03 million that were placed with the Bahrain branch liquidator for settlement of liabilities in 2015, were released to the Company.
- c. As at the reporting date, trade receivables and other current assets include an amount of SR 0.5 million, representing debentures issued by an educational company. These are redeemable after 5 years at par and carry profit at 2% p.a.

7. INVESTMENT IN ASSOCIATES, NET

	<u>Country of incorporation</u>	<u>Effective ownership interest</u>	<u>2016</u>	<u>2015</u>
H.C Securities and Investment S.A.E	Arab Republic of Egypt	30.42%	21,151	25,221
Eastgate Global Carrying Vehicle L.P.	Cayman Islands	100%	4,045	--
			<u>25,196</u>	<u>25,221</u>

The below table illustrates the movements in the investment in associates:

	<u>2016</u>	<u>2015</u>
Opening balance at January 1,	25,221	28,260
Share of operating results	18,141	77
Share of other reserves (recognized directly in the associates' statement of changes in equity)	2,659	(752)
Exchange difference on translation of investment in associates	(20,825)	(2,364)
Closing balance at December 31,	<u>25,196</u>	<u>25,221</u>

NCB CAPITAL COMPANY
(A Saudi Joint Stock Company)

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8. PROPERTY, EQUIPMENT AND SOFTWARE

	<i>2016</i>				<i>2015</i>			
	<i>Land, building and leasehold improvements</i>	<i>Furniture, Equipment, software and vehicles</i>	<i>Capital work in progress</i>	<i>Total</i>	<i>Land, building and leasehold improvements</i>	<i>Furniture, Equipment, software and vehicles</i>	<i>Capital work in progress</i>	<i>Total</i>
Cost								
Opening	117,902	151,263	27,199	296,364	117,384	125,014	8,883	251,281
Additions	--	5,212	30,637	35,849	--	--	45,229	45,229
Transfers	1,263	45,260	(46,523)	--	518	26,395	(26,913)	--
Disposals and retirements	--	--	--	--	--	(146)	--	(146)
Closing	119,165	201,735	11,313	332,213	117,902	151,263	27,199	296,364
Accumulated depreciation								
Opening	36,489	87,909	--	124,398	34,233	66,210	--	100,443
Depreciation charge	1,754	33,071	--	34,825	2,256	21,816	--	24,072
Disposals and retirements	--	--	--	--	--	(117)	--	(117)
Closing	38,243	120,980	--	159,223	36,489	87,909	--	124,398
Net book value	80,922	80,755	11,313	172,990	81,413	63,354	27,199	171,966

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9. DIVIDEND PAYABLE

The movement in dividend payable during the year is as follows:

<u>Description</u>	<u>2016</u>	<u>2015</u>
Opening balance at January 1,	372,405	2,729
Dividend declared during the year (note 'a' below)	300,000	400,000
Dividend paid to The National Commercial Bank	(634,985)	--
Dividend paid to employees with vested shares	(5,453)	(2,439)
Total dividend paid during the year	(640,438)	(2,439)
Dividends on incremental shares	--	771
Dividends on forfeited / unallocated shares	(21,558)	(28,656)
Closing balance at December 31,	10,409	372,405

- a) The shareholders of the Company in their General Assembly Meeting held on December 13, 2016, approved a cash dividend of SR 3 per share (amounting in total to SR 300 million).

10. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	<u>2016</u>	<u>2015</u>
Staff related payables	52,758	59,449
Customer rebates and provision against operational errors (note 'a' below)	11,201	14,014
Accrued expenses and other payables	68,219	76,650
Accrued Zakat (note 'b' below)	34,208	41,649
	166,386	191,762

- a) As at December 31, 2016, the Group has received certain operational error claims from its customers against which management has made provision of SR 8.4 million (2015: SR 8.4 million) which is management's best estimate of the amount required to settle the obligation at the reporting date.

- b) Details of accrued Zakat as at December 31, are as follows:

Charge for the year

Zakat attributable to shareholders for the year ended December 31, 2016 amounted to SR 27.33 million (December 31, 2015: SR 35 million).

The principal elements of the zakat base of the Group are as follows:

	<u>2016</u>	<u>2015</u>
Non-current assets	279,973	268,732
Non-current liabilities	50,646	60,987
Opening shareholders' equity	1,099,224	1,332,349
Net income before zakat	247,366	323,962

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10. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES (continued)

Zakat liability

The movement in Zakat provision during the year ended December 31, is as follows:

	<u>2016</u>	<u>2015</u>
Balance at January 1,	41,649	33,674
Charge for the year	27,330	35,000
Payments during the year	(34,771)	(27,025)
Balance at December 31,	<u>34,208</u>	<u>41,649</u>

The Company has filed all the Zakat declarations until the financial year ended December 31, 2015 and obtained restricted Zakat certificate valid until April 30, 2017. The Company has filed an objection with the Department of Zakat and Income Tax (GAZT) regarding deduction of investments from the Zakat base for the year ended December 31, 2014 and December 31, 2015 which is under review by the GAZT.

The GAZT issued query letter for the years 2008 to 2011 which has been duly responded by the Company. Furthermore, the GAZT conducted a field inspection to the company's books and records for the years 2008 to 2013 and is currently working on assessment for these years. In the year 2012, the GAZT challenged the deduction of investments amounting to SR 63.8 million from the Zakat base and requested the Company to settle an additional Zakat liability of SR 2.6 million. The Company has filed an appeal against the GAZT claim.

11. EMPLOYEE BENEFITS

	<u>2016</u>	<u>2015</u>
Employees' end of service benefits (note 'a' below)	43,134	51,537
Savings plan	7,512	9,450
	<u>50,646</u>	<u>60,987</u>

a) Movement in employees' end of service benefits is as follows:

	<u>2016</u>	<u>2015</u>
Net liability at January 1,	51,537	53,427
Charge for the year	8,399	9,096
Re-measurement gain on employees' end of service benefits	(7,890)	--
Benefits paid / reversal during the year	(8,912)	(10,986)
Net liability at December 31,	<u>43,134</u>	<u>51,537</u>

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12. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company consists of one hundred million (100,000,000) shares of SR 10 each. The ownership structure of the Company is given below:

<u>Description</u>	<u>No. of shares held</u>		<u>Percentage ownership held</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Shares held by The National Commercial Bank	90,712,060	90,712,060	90.71	90.71
Shares held under 'Employees' Share Scheme' by Baco as at the year end (note 13):				
- Unallocated to the employees	7,136,450	7,163,796	7.14	7.16
- Allocated to the employees (unvested)	1,308,967	914,779	1.31	0.92
- Allocated to the employees (vested)	842,523	1,209,365	0.84	1.21
	100,000,000	100,000,000	100	100

13. EQUITY-SETTLED EMPLOYEES' SHARE BASED PAYMENTS SCHEME

The Company offers Long Term Incentive Plan (LTIP) as equity-settled employees' share based payments scheme to certain eligible executives. The plan aims at rewarding them for the achievement of long term corporate success, which is measured based on adjusted Return on Equity (ROE). The plan vests over a period of three years. The Company's actual performance is assessed at the end of each year during the vesting period and is linked to risk variables later.

The cost of the plan is recognized over the period in which the service condition is fulfilled, ending on the date on which the relevant employees become fully entitled to the plan ('the vesting date'). The expense, recognized for the plan at each reporting date until the vesting date, reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a year represents the movement in cumulative expense recognized as at the beginning and end of that year.

The total expense recognised for employees' services received during the year ended December 31, 2016, under the LTIP amounted to SR 16.47 million (December 31, 2015: SR 8.67 million) and is included in the 'salaries and employee related expenses' with a corresponding increase in the consolidated statement of changes in equity, as per the accounting standards generally accepted in the Kingdom of Saudi Arabia.

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13. EQUITY-SETTLED EMPLOYEES’ SHARE BASED PAYMENTS SCHEME (continued)

- a) Following is the movement in the allocated shares, unallocated shares and vested shares during the year ended December 31:

<u>Description</u>	<u>2016</u>		
	<u>Unallocated to the employees</u>	<u>Allocated to the employees (unvested)</u>	<u>Allocated to the employees (vested)</u>
Opening number of shares	7,163,796	914,779	1,209,365
Shares granted under Long Term Incentive Plan	(739,914)	739,914	--
Shares vested / forfeited during the year	(429)	(345,726)	346,155
Buy back of vested shares by Baco - transfer to unallocated shares (note “d” below)	712,997	--	(712,997)
Closing number of shares	7,136,450	1,308,967	842,523

<u>Description</u>	<u>2015</u>		
	<u>Unallocated to the employees</u>	<u>Allocated to the employees (unvested)</u>	<u>Allocated to the employees (vested)</u>
Opening number of shares	4,232,864	773,883	4,281,193
Shares granted under Long Term Incentive Plan	(914,779)	914,779	--
Shares vested / forfeited during the year	215,205	(773,883)	558,678
Buy back of vested shares by Baco- transfer to unallocated shares (note “d” below)	3,630,506	--	(3,630,506)
Closing number of shares	7,163,796	914,779	1,209,365

- b) During the year ended December 31, 2016, upon completion of vesting period under LTIP, rights of certain employees to receive 348,478 shares were vested. At December 31, 2016, NCBC has transferred the accumulated reserve in equity (in respect of vested shares) amounting to SR 7.49 million, from ‘Equity-settled employees’ share based payments scheme’ to ‘Retained earnings’ of the Company.

Until December 31, 2016, NCBC has transferred the accumulated reserve in equity (in respect of vested shares) amounting to SR 133.14 million (2015: SR 125.65 million) from ‘Equity-settled employees’ share based payments scheme’ to ‘Retained earnings’ component of Consolidated Statement of Changes in Equity.

- c) Until such time as the beneficial ownership of the underlying shares in the Company passes to the employees, the unallocated / non-vested shares (held by Baco under fiduciary capacity) are treated as ‘Shares held under Employees’ Share Scheme’.
- d) During the year ended December 31, 2016, Baco has purchased 712,997 shares for a consideration of SR 21.69 million at an average exercise price of SR 30.42 per share, from some of the employees whose rights to receive shares have vested (2015: 3,630,506 shares for a consideration of SR 103.83 million at an average share price of SR 28.6 per share). At December 31, 2016, the balance of shares held under employees’ share scheme is SR 202.90 million (2015: SR 181.22 million).

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14. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2016</u>	<u>2015</u>
IT related expenses	27,137	17,171
Consultancy	18,130	9,423
Communication	12,095	15,252
Outsourced staff	8,267	10,274
Legal and other professional services	7,593	10,052
Withholding taxes	5,641	2,416
Business travel	4,654	7,204
Marketing and promotional expenses	3,782	8,151
Sales incentive (note 17 (a))	3,074	6,104
Training	1,914	4,120
Statutory expenses	298	7,715
Others	6,923	8,918
	<u>99,508</u>	<u>106,800</u>

15. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net income after Zakat for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net income after Zakat attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share is not applicable as the Company has issued no financial instruments which may have a dilutive effect.

Weighted average number of ordinary shares are as follows:

	<u>2016</u>	<u>2015</u>
Issued ordinary shares	100,000,000	100,000,000
Effect of shares held by Baco (note 13(a))	(7,136,450)	(7,163,796)
Weighted average number of ordinary shares at December 31	<u>92,863,550</u>	<u>92,836,204</u>
Net income attributable to equity holders of the parent	213,166	291,535
Basic and diluted earnings per share (SR) – attributable to equity holders of the parent	<u>2.30</u>	<u>3.14</u>

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16. FIDUCIARY ASSETS

The Group holds assets on behalf of its customers. As the Group acts in a fiduciary capacity, these assets are not included in the consolidated balance sheet. Following is the detail of assets held in a fiduciary capacity:

	<u>2016</u>	<u>2015</u>
Assets under management		
- Asset management division	114,632,213	77,879,913
- Securities division	506,828	828,377
Cash balances held under brokerage accounts	8,523,180	6,912,541
Total fiduciary assets	<u>123,662,221</u>	<u>85,620,831</u>

17. RELATED PARTY TRANSACTIONS

- a) Transactions with The National Commercial Bank (the “Bank “or “Parent Company”) and balances as arising therefrom are as follows:

Consolidated statement of income:	<u>2016</u>	<u>2015</u>
Management and performance fee charged to the Bank	11,128	35,778
Investment banking fees charged to the Bank	--	5,060
Incentive expense charged by the Bank	3,074	6,104
IT related expenses charged by the Bank	25,760	16,163
Sale of investments	154,494	--
Consolidated balance sheet:		
Balances with the Bank	31,667	449,373
Amount due from the Bank	2,586	5,707
Amount due to the Bank	19,922	6,195
Assets held in a fiduciary capacity:		
Bank’s assets under management	<u>2,239,362</u>	<u>9,117,181</u>

- b) Transactions with key management personnel

Key management personnel of the Company comprise senior executive management and the Board of Directors. Details of the remuneration of the key management personnel charged to the Group’s consolidated financial statements and balances arising therefrom are as follows:

	<u>2016</u>	<u>2015</u>
Consolidated statement of income:		
Short term benefits	36,193	35,262
Termination benefits	--	18,750
Consolidated balance sheet:		
End-of-service benefits	6,892	5,732
Loans and advances – interest free	1,742	1,933

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17. RELATED PARTY TRANSACTIONS (continued)

(c) Funds managed by the Group

Consolidated statement of income:

Management fee earned on funds managed by the Group	<u>209,576</u>	<u>267,293</u>
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Consolidated balance sheet:

Advance against purchase of investment (note c (i))	<u>20,000</u>	<u>--</u>
Investment in mutual funds managed by the Group (note 5 (i))	<u>708,201</u>	<u>737,083</u>

(i) This represents amount transferred to a fund managed by the Company in respect of acquisition of further units, which were allotted subsequent to the year end.

18. SEGMENT INFORMATION

An operating segment is a component of an entity:

- (a) that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).
- (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- (c) for which discrete financial information is available.

For management purposes, the Group is organised into the following operating segments:

Securities	The Securities Division consists of the International Securities and E-Business Unit which provides facilities and services in trading International Equities, Options, Bonds, Indices, Islamic Certificates and GCC and Arabic Equities to international clients. It also manages the accounts / portfolios of local clients by providing facilities and services in trading Local Equities.
Investment Banking	The Investment Banking Division is involved in the following activities: Merger and Acquisition Advisory Services, Initial Public Offering Advisory Services, Real Estate Advisory Services and Privatization and Private Placements.
Asset & Wealth Management	The Asset & Wealth Management Division is engaged in the management of clients' assets and in the development and sales of asset management products and services.
NCB Capital Dubai Inc.	NCB Capital Dubai Inc. is an overseas subsidiary and its principal activity is to source, structure and invest in attractive private equity and real estate development opportunities across emerging markets, with a particular focus on the MENA region.

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18. SEGMENT INFORMATION (continued)

	2016				
<u>Description</u>	<u>Securities</u>	<u>Investment Banking</u>	<u>Asset & wealth Management</u>	<u>NCB Capital Dubai Inc.</u>	<u>Total</u>
Total operating income	197,776	30,149	315,740	29,531	573,196
Total operating expenses	134,643	26,977	176,844	16,483	354,947
Net operating income	63,133	3,172	138,896	13,048	218,249
Non-operating income	--	--	24,367	4,750	29,117
Net income (before Zakat and non-controlling interest)	63,133	3,172	163,263	17,798	247,366
<i>Reportable segment assets and liabilities</i>					
Total assets	148,311	22,609	1,049,124	46,478	1,266,522
Total liabilities	97,124	19,030	114,891	16,318	247,363

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18. SEGMENT INFORMATION (continued)

	2015				
<u>Description</u>	<u>Securities</u>	<u>Investment Banking</u>	<u>Asset & wealth Management</u>	<u>NCB Capital Dubai Inc.</u>	<u>Total</u>
Total operating income	274,446	33,406	340,250	31,460	679,562
Impairment on available-for-sale Investments	--	--	686	--	686
Total operating expenses	124,714	19,895	195,305	30,041	369,955
Net operating income	149,732	13,511	144,259	1,419	308,921
Non-operating income	8,587	--	5,784	670	15,041
Net income (before Zakat and non-controlling interest)	158,319	13,511	150,043	2,089	323,962
<i>Reportable segment assets and liabilities</i>					
Total assets	336,199	40,923	1,336,027	17,424	1,730,573
Total liabilities	278,180	30,788	317,315	5,066	631,349

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18. SEGMENT INFORMATION (continued)

Geographical concentration of reportable segments' assets and liabilities (based on the location of assets and liabilities), are presented as below:

	2016						
	Kingdom of Saudi Arabia	Kingdom of Bahrain	United Arab Emirates	Egypt	North America	Other regions	Total
Cash and cash equivalents	33,893	37	34,990	--	4,190	39,922	113,032
Amount due from The National Commercial Bank	2,586	--	--	--	--	--	2,586
Investments	778,495	--	--	--	54,204	--	832,699
Prepayments and other assets	113,844	--	6,175	--	--	--	120,019
Investment in associates	--	--	--	21,151	--	4,045	25,196
Property, equipment and software	172,990	--	--	--	--	--	172,990
Total Assets	1,101,808	37	41,165	21,151	58,394	43,967	1,266,522
Dividend payable	10,409	--	--	--	--	--	10,409
Amount due to The National Commercial Bank	19,922	--	--	--	--	--	19,922
Accounts payable, accruals and other liabilities	149,955	112	16,319	--	--	--	166,386
Employee benefits	50,646	--	--	--	--	--	50,646
Total Liabilities	230,932	112	16,319	--	--	--	247,363

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18. SEGMENT INFORMATION (continued)

Geographical concentration of reportable segments' assets and liabilities (based on the location of assets and liabilities), are presented as below:

	<i>2015</i>						
	<u>Kingdom of Saudi Arabia</u>	<u>Kingdom of Bahrain</u>	<u>United Arab Emirates</u>	<u>Egypt</u>	<u>North America</u>	<u>Other regions</u>	<u>Total</u>
Cash and cash equivalents	449,612	1,113	18,997	--	47,001	31	516,754
Amount due from The National Commercial Bank	5,707	--	--	--	--	--	5,707
Investments	737,083	--	--	--	174,337	--	911,420
Prepayments and other assets	82,203	9,032	8,270	--	--	--	99,505
Investment in associates	--	--	--	25,221	--	--	25,221
Property, equipment and software	171,966	--	--	--	--	--	171,966
Total Assets	<u>1,446,571</u>	<u>10,145</u>	<u>27,267</u>	<u>25,221</u>	<u>221,338</u>	<u>31</u>	<u>1,730,573</u>
Dividend payable	372,405	--	--	--	--	--	372,405
Amount due to The National Commercial Bank	6,195	--	--	--	--	--	6,195
Accounts payable, accruals and other liabilities	183,630	446	7,686	--	--	--	191,762
Employee benefits	60,987	--	--	--	--	--	60,987
Total Liabilities	<u>623,217</u>	<u>446</u>	<u>7,686</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>631,349</u>

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19. CONTINGENCIES AND COMMITMENTS

Following are the details of the Group's commitments and contingencies as at December 31, 2016:

Commitments

- a) Commitments in respect of private equity investments future capital calls totaling SR 2.72 million (2015: SR 3.26 million).
- b) Commitments amounting to SR 3.8 million (2015: SR 5.8 million) for the acquisition of IT software.
- c) Commitments in respect of leased properties with following future payments over their non-cancellable lease periods:

	<u>2016</u>	<u>2015</u>
Within 12 months	1,841	2,088
1-5 years	2,809	760
	<u>4,650</u>	<u>2,848</u>

Contingencies

- a) The Group has received certain operational error claims from its customers subsisting at December 31, 2016, against which management has made provision of SR 8.4 million (2015: SR 8.4 million) which is management's best estimate to settle the obligation at the reporting date
- b) For details of Group's Zakat related contingency, please see note 10.

20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposure relating to his or her responsibilities. The Group is exposed to credit risk, market risk and liquidity risk. The independent risk control process does not include business risks such as changes in environment, technology and industry. They are monitored through the Group's strategic planning process.

Credit risk

It is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. Credit exposures arise principally in credit-related risk that is embedded in positive fair value of derivatives.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits.

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20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

a) Maximum exposure to credit risk at the reporting date:

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Balances with banks (note 4)	112,914	516,637
Amount due from the National Commercial Bank (note 17(a))	2,586	5,707
Investments (note 5 (ii))	70,294	911,420
Other assets (note 6)	97,725	97,236
	<u>283,519</u>	<u>1,531,000</u>

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

i) Market price risk:

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and the value of individual stocks.

a) Held for Trading investments

At the reporting date, the Groups' held for trading investments are represented by mutual funds managed by the Group and external hedge funds. The Group regularly monitors on individual basis the market risk on its held for trading investments. At the reporting date, a 10% (December 31, 2015: 10%) change in the fund's net asset values would have increased or decreased the net income by SR 71 million (December 31, 2015: SR 84.7 million).

b) Available for sale investments

The Group has unquoted investments in private equity funds carried at net asset value as reported by the fund's manager. In respect of such investments carried at fair value, a 10% change in net asset value would have increased or decreased other reserves in the consolidated statement of changes in equity by SR 5.2 million (December 31, 2015: SR 6.4 million).

ii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. At the balance sheet date, the Group is not exposed to any significant interest rate risk.

iii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. It has set limits on positions by currency. Positions are monitored regularly to ensure these are maintained within established limits. At the reporting date, the Group had the following significant net exposures denominated in foreign currencies:

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20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

	<u>2016</u> <u>Long / (short)</u>	<u>2015</u> <u>Long / (short)</u>
US Dollars (USD)	92,667	772,738
Egyptian Pounds (EGP)	21,151	25,221
Pound Sterling (GBP)	765	3,117
Euro (EUR)	1,578	1,563
Bahrain Dinar (BHD)	(6,437)	(266)

Long position indicates that assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short position.

The table below indicates the extent to which the Group was exposed to currency risk at December 31, 2016 on its foreign currency positions. The analysis is performed for reasonably possible movement of the currency rate against the SR with all other variables held constant. As the Saudi Riyal is pegged against the USD and Bahrain Dinar (BHD), there is unlikely to be an impact on the consolidated statement of income in respect of the USD and BHD exposure.

	<u>2016</u>					
	Decrease in currency rate in %	Effect on net profit SR '000	Effect on Exchange Translation Reserve SR '000	Increase in currency rate in %	Effect on net profit SR '000	Effect on Exchange Translation Reserve SR '000
						--
Pound Sterling (GBP)	15%	(115)	--	15%	115	
Euro (EUR)	15%	(237)		15%	237	--
Egyptian Pounds (EGP)	15%	--	(3,173)	15%	--	3,173

Market risk (continued)

d) Currency risk

	<u>2015</u>					
	Decrease in currency rate in %	Effect on net profit SR '000	Effect on Exchange Translation Reserve SR '000	Increase in currency rate in %	Effect on net profit SR '000	Effect on Exchange Translation Reserve SR '000
Pound Sterling (GBP)	15%	(468)	--	15%	468	--
Euro (EUR)	15%	(234)	--	15%	234	--
Egyptian Pounds (EGP)	15%	--	(3,783)	15%	--	3,783

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20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management manages assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity on regular basis.

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at December 31, 2016 and December 31, 2015 based on contractual undiscounted repayment obligations. As the Group does not have any interest bearing liabilities, totals in the table match with the figures appearing on the consolidated balance sheet. The contractual maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. Repayments which are subject to notice are treated as if notice were to be given immediately.

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

<u>Financial liabilities</u>	2016					<u>Total</u>
	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	
Amount due to The National Commercial Bank	--	19,922	--	--	--	19,922
Dividend payable	--	--	10,409	--	--	10,409
Accounts payable, accruals and other liabilities	11,454	93,565	--	--	--	105,019
Total undiscounted financial liabilities	11,454	113,487	10,409			135,350
<u>Financial liabilities</u>	2015					<u>Total</u>
	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	
Amount due to The National Commercial Bank	--	6,195	--	--	--	6,195
Dividend payable	371,344	--	1,061	--	--	372,405
Accounts payable, accruals and other liabilities	11,454	111,500	--	--	--	122,954
Total undiscounted financial liabilities	382,798	117,695	1,061	--	--	501,554

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20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

Fair values

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. As these consolidated financial statements are prepared under historical cost convention, (except for the measurement at fair value of investments held for trading and investments held as available-for-sale method), differences may arise between the book values and the fair value estimates. At the reporting date, management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

21. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to comply with the capital requirements set by the Capital Market Authority (CMA) to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

During the year ended December 31, 2013, new Prudential Rules (the “rules”) were introduced by the CMA pursuant to its Resolution Number 1-40-2012 dated 17/2/1434H corresponding to 30/12/2012G. The rules state that an authorised person shall continually possess a capital base which corresponds to not less than the total of the capital requirements as prescribed under Part 3 of Prudential Rules.

	<u>2016</u>	<u>2015</u>
Capital base:		
Tier I capital	931,633	999,097
Tier II capital	--	11,953
	931,633	1,011,050
Total		
Minimum capital requirement:		
Credit Risks	185,870	160,437
Market Risks	162,937	162,919
Operational Risks	100,520	97,037
Total	449,327	420,393
Surplus in Capital	482,306	590,657
Total capital ratio	2.07	2.41