



**ALISTITHMAR FOR FINANCIAL SECURITIES
AND BROKERAGE COMPANY**
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS FOR THE PERIOD FROM
MARCH 10, 2015 TO DECEMBER 31, 2015
AND INDEPENDENT AUDITORS' REPORT

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE PERIOD FROM MARCH 10, 2015 TO DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

January 31, 2016

To the Shareholder of Alistithmar for Financial Securities and Brokerage Company
(A Saudi Closed Joint Stock Company)

Scope of audit

We have audited the accompanying balance sheet of Alistithmar for Financial Securities and Brokerage Company (the "Company") as of December 31, 2015 and the related statements of income, cash flows and changes in equity for the period from March 10, 2015 (date of ministerial resolution to convert from a limited liability company to a closed joint stock company) to December 31, 2015, and the notes from (1) to (21) which form an integral part of the financial statements. These financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and the results of its operations and its cash flows for the period from March 10, 2015 to December 31, 2015, in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Company; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of financial statements.

Emphasis matter

We draw attention to Note 1 in the financial statements which explains that the Company was converted from a limited liability company to a Saudi closed joint stock company effective Jumada Awal 19, 1436H (corresponding to March 10, 2015). Accordingly, these financial statements have been prepared for the period from March 10, 2015 to December 31, 2015.

PricewaterhouseCoopers

By: _____

Khalid A. Mahdhar
License Number 368



ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

BALANCE SHEET*(All Amounts In Saudi Riyals Unless Otherwise Stated)*

| | | As at December 31, 2015 |
|--|-------------|--|
| ASSETS | Note | |
| Current assets | | |
| Cash and cash equivalents | 3 | 1,284,996 |
| Margin loans and murabaha financing | | 497,337,793 |
| Accrued management fees and commission income | | 7,843,797 |
| Prepaid expenses and other assets | 4 | 13,873,268 |
| Total current assets | | 520,339,854 |
| Non-current assets | | |
| Investments | 5 | 143,152,142 |
| Property and equipment, net | 6 | 10,828,270 |
| Goodwill | | 11,879,718 |
| TOTAL ASSETS | | 686,199,984 |
| LIABILITIES | | |
| Current liabilities | | |
| Bank overdraft | 7 | 286,853,415 |
| Accrued and other liabilities | 8 | 8,466,978 |
| Provision for zakat and income tax | 9 | 10,824,824 |
| Total current liabilities | | 306,145,217 |
| Non-current liabilities | | |
| Employees' termination benefits | 10 | 12,079,862 |
| Employees' long-term benefits | 11 | 15,828,818 |
| Total liabilities | | 334,053,897 |
| Shareholders' equity | | |
| Share capital | 1 | 250,000,000 |
| Statutory reserve | 12 | 23,799,354 |
| Retained earnings | | 78,731,815 |
| Changes in fair value reserve - available for sale investments | | (385,082) |
| Total shareholders' equity | | 352,146,087 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 686,199,984 |
| COMMITMENTS AND CONTINGENCIES | 16 | |

HESHAM ABOU JAMEE
Chief Executive Officer

ZAHOOR AMANULLAH
Chief Financial Officer

The accompanying notes on pages 6 to 16 form an integral part of these financial statements.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF INCOME*(All Amounts In Saudi Riyals Unless Otherwise Stated)*

| | Notes | For the period from March 10 to December 31, 2015 |
|--|--------------|--|
| OPERATING INCOME | | |
| Brokerage fee income, net | | 35,478,578 |
| Asset management fee, net | | 32,812,331 |
| Commission income, net | 7, 13 | 20,078,520 |
| Realized gains on sale of available for sale investments | | 5,336,815 |
| Corporate finance | | 1,453,729 |
| Other income | | 845,523 |
| Total operating income | | 96,005,496 |
| OPERATING EXPENSES | | |
| Salaries and employee-related expenses | 7 | 49,706,551 |
| Business service charges | 7 | 5,478,169 |
| Depreciation | 6 | 4,628,804 |
| Subscription fees | | 3,158,461 |
| Legal and professional fees | | 2,401,161 |
| Other general, administrative and marketing expenses | 14 | 12,843,235 |
| Total operating expenses | | 78,216,381 |
| NET INCOME FOR THE PERIOD | | 17,789,115 |
| <u>EARNINGS PER SHARE:</u> | | |
| Operating income for the period | 15 | 3.84 |
| Net income for the period | | 0.71 |

HESHAM ABOU JAMEE
Chief Executive Officer

ZAHOOB AMANULLAH
Chief Financial Officer

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ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS*(All Amounts In Saudi Riyals Unless Otherwise Stated)*

| | For the period from March 10 to December 31, 2015 |
|--|--|
| CASH FLOW FROM OPERATIONS | |
| Net income for the period | 17,789,115 |
| Adjustments to reconcile net income to net cash used in operations: | |
| Depreciation | 4,628,804 |
| Gain on sale of property and equipment | (99) |
| Realized gains on sale of available for sale investments | (5,336,815) |
| Changes in working capital: | |
| Margin loans and murabaha financing | 319,502,346 |
| Accrued management fees and commission income | (436,887) |
| Prepaid expenses and other assets | 621,286 |
| Accrued and other liabilities | 631,136 |
| Employees' termination benefits, net | 1,037,027 |
| Employees' long-term benefits, net | 895,756 |
| Zakat and income tax paid, net | (7,595,014) |
| Net cash generated from operating activities | 331,736,655 |
| CASH FLOW FROM INVESTING ACTIVITIES | |
| Additions to property and equipment | (3,117,262) |
| Proceeds from sale of property and equipment | 99 |
| Purchase of available for sale investments | (90,713,360) |
| Net cash used in investing activities | (93,830,523) |
| CASH FLOW FROM FINANCING ACTIVITY | |
| Change in bank overdraft | (237,367,543) |
| Cash used in financing activity | (237,367,543) |
| Net change in cash and cash equivalents | 538,589 |
| Cash and cash equivalents at beginning of the period | 746,407 |
| Cash and cash equivalents at end of the period | 1,284,996 |
| Supplemental non-cash information: | |
| Net changes in fair value of available for sale investments | (5,137,245) |
| Estimated zakat and income tax charged to equity | (6,910,000) |

HESHAM ABOU JAMEE
Chief Executive Officer

ZAHOOR AMANULLAH
Chief Financial Officer

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ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY*(All Amounts In Saudi Riyals Unless Otherwise Stated)*

| | Note | Share capital | Statutory reserve | Retained earnings | Changes in fair value reserve - available for sale investments | Total |
|--|-------------|----------------------|--------------------------|--------------------------|---|--------------------|
| Balance as at March 10, 2015 | | 250,000,000 | 22,020,441 | 69,631,613 | 4,752,163 | 346,404,217 |
| Net income for the period | | - | - | 17,789,115 | - | 17,789,115 |
| Zakat and income tax | 9 | - | - | (6,910,000) | - | (6,910,000) |
| Transfer to statutory reserve | 12 | - | 1,778,913 | (1,778,913) | - | - |
| Net movement for the period | 5 | - | - | - | (5,137,245) | (5,137,245) |
| Balance as at December 31, 2015 | | 250,000,000 | 23,799,354 | 78,731,815 | (385,082) | 352,146,087 |

HESHAM ABOU JAMEE
Chief Executive Officer

ZAHOOB AMANULLAH
Chief Financial Officer

The accompanying notes on pages 6 to 16 form an integral part of these financial statements.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM MARCH 10, 2015 TO DECEMBER 31, 2015

(All Amounts In Saudi Riyals Unless Otherwise Stated)

1. GENERAL

Alistithmar for Financial Securities and Brokerage Company - Alistithmar Capital (the "Company") is a Saudi closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company was converted from a limited liability company to a Saudi closed joint stock company on Jumada Awal 19, 1436H (corresponding to March 10, 2015). The Company operates under Commercial Registration No. 1010235995 issued in Riyadh on Rajab 8, 1428 H (corresponding to July 22, 2007). The Company also operates its activities under Authorization License number (7061-15) dated Jumada Awal 16, 1428 H (corresponding to June 2, 2007) issued by the Capital Market Authority (CMA).

The Company's first fiscal period under legal status of a Saudi closed joint stock company is from the date of ministerial resolution, March 10, 2015 and ended on December 31, 2015. The Company's statutory financial statements for the subsequent years will be prepared from January 1 to December 31 of each Gregorian year.

These financial statements are prepared by the management, and are based on the assumption that the Company continued its operational activity as a normal through the period ended December 31, 2015, as only the legal status changed from a limited liability company to a Saudi closed joint stock company.

The Company's registered postal address is as follows:

Alistithmar for Financial Securities and Brokerage Company - Alistithmar Capital
P. O. Box 6888
Riyadh 11452
Kingdom of Saudi Arabia

The Company's share capital of SR 250 million as at December 31, 2015 and 2014 consists of 25,000,000 fully paid shares of SR 10 each, and is wholly-owned by the Saudi Investment Bank.

The foreign shareholding in the Company is represented indirectly through a 10% stake in The Saudi Investment Bank (the "Bank"), which resulted in an effective 10% foreign shareholding in the Company as at December 31, 2015.

The principal activities of the Company are dealing in securities as principal and agent, underwriting, management of investment funds and private investment portfolios on behalf of customers, arrangement and advisory and custody services relating to financial securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of available-for-sale investments to fair value, and in compliance with the accounting standards generally accepted in Saudi Arabia and promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting standards requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM MARCH 10, 2015 TO DECEMBER 31, 2015

(All Amounts In Saudi Riyals Unless Otherwise Stated)

Foreign currency translation

(a) Reporting currency

These financial statements are presented in Saudi Riyals ("SR") which is the functional currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and highly liquid investments that are readily convertible into cash with original maturities of three months or less from the date of original acquisition.

Margin loans and murabaha financing

Margin loans and murabaha financing are recognized when cash is advanced to the borrowers. They are derecognized when either borrower repays their obligations, or the balance is sold or written off, or substantially all the risks and rewards of ownership are transferred to other party.

Margin loans and murabaha financing are carried at the amount advanced to the customers, including related transaction cost less any provision for credit losses, if any. A provision against credit losses is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. All margin loans and murabaha financing at December 31, 2015 are maturing within one year.

Available for sale investments

Available for sale investments are those intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in commission rates, exchange rates or equity prices or that not classified as held to maturity or held for trading. These investments are included in non-current assets unless management intends to sell such investments within twelve months from the balance sheet date.

All investment securities are initially recognized upon acquisition at cost, including acquisition charges associated with the investment. Subsequently, available for sale investments are measured at fair value at the balance sheet with any gain or loss arising from a change in the fair value is recognized directly under equity. On de-recognition, any cumulative gain or loss previously recognized in equity is included in the statement of income for the period/year.

For securities traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the balance sheet date. Fair value of investments in mutual funds is determined by reference to declared net asset values.

For securities when 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 of the security. Where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques that includes the use of mathematical models.

The input to these models is taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

For investments where the fair values cannot be reliably measured, these are carried at cost.

Goodwill

Goodwill represents the difference between the purchase value and the fair value of the net assets acquired at the purchase date. The price is determined as the fair value at the acquisition date. Goodwill is stated at the balance sheet date at cost reduced for impairment in value, if any.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM MARCH 10, 2015 TO DECEMBER 31, 2015

(All Amounts In Saudi Riyals Unless Otherwise Stated)

Property and equipment

Property and equipment are carried at cost less accumulated depreciation except work-in-progress which is carried at cost. Depreciation is charged to the statement of income, using the straight-line method to allocate the costs of the related assets over the following estimated useful lives:

| | Number of years |
|--------------------------------|---|
| Leasehold improvements | Over the lease period or 5 years, whichever is lesser |
| Computers | 4 |
| Vehicles | 4 |
| Furniture and office equipment | 4-10 |

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

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of income, as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of income. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between the cost and fair value.
- For assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective interest rate.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Zakat and income tax

In accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"), the Company is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Employees' termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the statement of income. The liability is calculated; at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

Employees' long-term benefits

The Company offers its eligible employee security and savings plans that are based on mutual contributions by the Company and the employees. Also, the Company offers its eligible Saudi employees long-term service award.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM MARCH 10, 2015 TO DECEMBER 31, 2015

(All Amounts In Saudi Riyals Unless Otherwise Stated)

Income recognition

Brokerage fees are recognized on accrual basis upon delivery of services to customers and is stated net of discounts, if any, based on agreed applicable service contracts. Commission income from margin loans and murabaha financing are recognized based on the effective rate of return during the contract period, reduced by relevant commission charged by the Bank on funds provided to finance the margin loans and murabaha financing.

Asset management fees are recognized on the accrual basis as services are provided. Advisory, including corporate finance, custody and other service fees are recognized when the related services have been provided. Income on time deposits with the Bank is recognized on accrual basis.

Dividends income from investments is recognized when the Company's right to receive the dividends is established.

Segment information

(a) Business segment

A business segment is a group of assets, operations or entities:

- (i) Engaged in revenue producing activities;
- (ii) Results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance of assessment; and
- (iii) Financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risk and returns different from those operating in other economic environment.

Expenses

Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately.

Operating lease

Rental expenses under operating leases are charged to the income statement over the period of the respective lease.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and, accordingly, are not included in these accompanying financial statements. Such assets primarily comprise of clients' money accounts.

3. CASH AND CASH EQUIVALENTS

| | As at December 31, 2015 |
|-----------------------|--|
| Cash on hand | 10,000 |
| Cash at bank (Note 7) | 1,274,966 |
| | 1,284,966 |

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM MARCH 10, 2015 TO DECEMBER 31, 2015***(All Amounts In Saudi Riyals Unless Otherwise Stated)***4. PREPAID EXPENSES AND OTHER ASSETS**

| | As at December 31, 2015 |
|---------------------------------|--|
| Receivable from customers | 5,574,761 |
| Staff personal loans | 1,887,483 |
| Prepaid IT services | 1,650,560 |
| Prepaid insurance | 1,415,313 |
| Subscriptions | 1,326,032 |
| Staff advance housing | 887,914 |
| Other Receivable - mutual funds | 306,362 |
| Prepaid maintenance expense | 123,130 |
| Other receivables | 701,713 |
| | 13,873,268 |

5. INVESTMENTS

The available for sale investments in mutual funds and listed and unlisted companies comprise of the following:

| | As at December 31, 2015 |
|--|--|
| <u>Investment in Mutual Funds</u> | |
| SAIB Trade Finance Fund | 82,703,271 |
| SAIB Saudi IPO Fund | 25,000,000 |
| SAIB Funds – Hitteen Land | 12,500,000 |
| SAIB Saudi Companies Fund | 10,000,000 |
| SAIB Sukuk Fund | 6,532,953 |
| SAIB GCC Equity Income Fund | 5,000,000 |
| SAIB Saraya Tower Real Estate Development Fund | 1,800,000 |
| <u>Investment in Unlisted Companies</u> | |
| American Express | 1,000 |
| Total cost | 143,537,224 |
| Cumulative change in fair value | (385,082) |
| | 143,152,142 |

The investment in unlisted company is carried at cost, as its fair value cannot be reliably measured.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM MARCH 10, 2015 TO DECEMBER 31, 2015***(All Amounts In Saudi Riyals Unless Otherwise Stated)***6. PROPERTY AND EQUIPMENT, NET**

| | Computers | Leasehold improvements | Vehicles | Furniture and office equipment | Capital work-in-progress | Total |
|--|-------------------|-------------------------------|-----------------|---------------------------------------|---------------------------------|--------------------|
| Cost | | | | | | |
| March 10, 2015 | 16,691,150 | 5,211,851 | 190,625 | 4,622,231 | 3,285,090 | 30,000,947 |
| Additions | 3,443,987 | 2,607,589 | - | 350,776 | - | 6,402,352 |
| Disposals/transfers | - | - | - | - | (3,285,090) | (3,285,090) |
| December 31, 2015 | 20,135,137 | 7,819,440 | 190,625 | 4,973,007 | - | 33,118,209 |
| Accumulated depreciation | | | | | | |
| March 10, 2015 | 10,500,155 | 3,465,036 | 132,250 | 3,563,694 | - | 17,661,135 |
| Charge for the year | 2,963,150 | 1,115,270 | 30,250 | 520,134 | - | 4,628,804 |
| Disposals | - | - | - | - | - | - |
| December 31, 2015 | 13,463,305 | 4,580,306 | 162,500 | 4,083,828 | - | 22,289,939 |
| Net book value: December 31, 2015 | 6,671,832 | 3,239,134 | 28,125 | 889,179 | - | 10,828,270 |

7. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Company transacts business with The Saudi Investment Bank (the Bank), the sole shareholder of the Company.

The Company has an overdraft facility from The Saudi Investment Bank to finance the margin loans and murabaha financing granted to its customers with a maximum limit of SR 1,200 million. At December 31, 2015, the utilized amount of such facility is SR 287 million. The Bank charged the Company commission expense on the utilized balance for the period ended December 31, 2015 amounting to SR 5.36 million.

The Company also maintains its operating bank account with The Saudi Investment Bank (see Note 3).

The Company has several agreements with the Bank as follows:

- i. Rent and premises related services agreement, under which the Bank provides to the Company the head office location and 8 branch locations, rental of existing property and equipment, location and equipment maintenance, utilities, communication and parking lots for an annual charge of SR 5,909,570. Expense charged for the period ended at December 31, 2015 is SR 4,745,276.
- ii. Mailing service agreement, under which the Bank is to provide all mailing services to the Company through the Bank's Mail Department for an annual charge of SR 39,000. Expense charged for the period ended at December 31, 2015 is SR 31,500.
- iii. Telephone recording agreement, under which the Bank is to provide recording services to the Company through the Bank's Administration Department for an annual charge SR 3,600. Expense charged for the period ended at December 31, 2015 is SR 2,200.
- iv. Archive service agreement, under which the Bank is to keep the Company's files through the Bank's Administration Department for an annual charge of SR 80,000. Expense charged for the period ended at December 31, 2015 is SR 64,668.
- v. Information Technology (IT) agreement under which the Bank is to provide all IT services including services relating to e-mail, internet and related maintenance services for an annual charge of SR 880,829. Expense charged for the period ended at December 31, 2015 is SR 634,525.

Salaries and employee related expenses include an amount of SR 1,667,910 which represents the salaries and benefits of the Company's Chief Executive Officer.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM MARCH 10, 2015 TO DECEMBER 31, 2015***(All Amounts In Saudi Riyals Unless Otherwise Stated)***8. ACCRUED EXPENSES AND OTHER LIABILITIES**

| | As at December 31, 2015 |
|-----------------------------|--|
| Accrued bonus for employees | 5,000,000 |
| Accrued IT services | 921,000 |
| Accrued utility charges | 648,265 |
| Accrued professional fees | 628,000 |
| GOSI Payable | 363,497 |
| Subscription charges | 281,610 |
| Other | 624,606 |
| | 8,466,978 |

9. PROVISION FOR ZAKAT AND INCOME TAX**Components of zakat base**

The significant components of the zakat base of the Saudi shareholders are principally comprised of the following:

| | Period ended December 31, 2015 |
|--|---|
| Shareholders equity - beginning of the period | 332,645,690 |
| Net income for the period, as adjusted | 33,352,454 |
| Provisions | 10,940,595 |
| Property and equipment, net | (13,405,182) |
| Investments | (143,152,142) |
| Goodwill | (11,879,718) |
| Total zakat base | 208,501,697 |
| Saudi shareholding percentage | 90% |
| Zakat base for Saudi shareholders for the period | 152,691,790 |
| Adjusted net income for Saudi shareholders | 30,017,208 |
| Estimated zakat for the period | 3,817,295 |

The zakat is calculated at 2.5% of the zakat base for Saudi shareholders or adjusted net income for Saudi shareholders, whichever is higher.

| | Period ended December 31, 2015 |
|--|---|
| Taxable income | |
| Taxable income of the Company - foreign shareholders | 21,868,924 |
| Foreign shareholding percentage | 10% |
| Taxable income of ultimate foreign shareholders | 2,186,892 |
| Income tax calculated at 20% - period | 437,378 |

The movement in provision for zakat and income tax during the period ended December 31, 2015 is summarized as follows:

| | Zakat | Income tax | Total |
|--|------------------|-------------------|-------------------|
| Balance at the beginning of the period | 10,033,300 | 1,476,538 | 11,509,838 |
| Additions during the period | 6,440,000 | 470,000 | 6,910,000 |
| Payments during the period | (6,567,846) | (1,027,168) | (7,595,014) |
| Balance at the end of the period | 9,905,454 | 919,370 | 10,824,824 |

The Company received and settled its assessment orders of zakat and income tax with the DZIT upto the year 2010. The Company also filed its zakat and income tax return for the years 2011 through to 2014 and received interim assessments for the years 2012 and 2013, see Note 15.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM MARCH 10, 2015 TO DECEMBER 31, 2015***(All Amounts In Saudi Riyals Unless Otherwise Stated)***10. EMPLOYEES' TERMINATION BENEFITS**

| | As at December 31, 2015 |
|--|--|
| Balance at the beginning of the period | 11,042,835 |
| Additions during the period | 2,292,734 |
| Payments during the period | (1,255,707) |
| Balance at the end of the period | <u>12,079,862</u> |

11. EMPLOYEES' LONG-TERM BENEFITS

| | As at December 31, 2015 |
|------------------------------------|--|
| Employees' long-term service award | 6,697,591 |
| Employees' saving plan | 7,703,271 |
| Employees' service security plan | 1,427,956 |
| | <u>15,828,818</u> |

12. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws, the Company is required to allocate 10% of its net income each year to a statutory reserve. The Company may discontinue such transfers when such reserve reaches one-half of its share capital. Such reserve is not available for dividend distribution.

13. COMMISSION INCOME, NET

| | For the period from March 10 to December 31, 2015 |
|--------------------|--|
| Commission income | 25,442,605 |
| Commission expense | (5,364,085) |
| | <u>20,078,520</u> |

14. OTHER GENERAL, ADMINISTRATIVE AND MARKETING EXPENSES

| | For the period from March 10 to December 31, 2015 |
|----------------------------------|--|
| IT services | 5,295,725 |
| Advertising and marketing | 1,097,096 |
| Janitorial and cleaning services | 875,361 |
| Utility charges | 809,183 |
| Travel and conveyance | 494,781 |
| Stationery and supplies | 305,291 |
| Mail charges | 258,238 |
| Insurance cost | 215,192 |
| Independent directors' fee | 206,000 |
| Repairs and maintenance expenses | 150,448 |
| Penalties and fines | 2,330,000 |
| Other | 805,920 |
| | <u>12,843,235</u> |

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM MARCH 10, 2015 TO DECEMBER 31, 2015

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15. EARNINGS PER SHARE

Earnings per share from operating income and net income is calculated by dividing the operating income and net income for the period by the weighted average number of shares for the period ended December 31, 2015 amounting to 25 million shares.

16. COMMITMENTS AND CONTINGENCIES

As at December 31, 2015, the Company has commitments to extend margin loans amounting to SR 277 million.

During 2012 and 2013, the Company received interim assessments from the DZIT for additional Zakat amounting to SR 1.97 million and SR 2.23 million relating to the Company's 2011 and 2012 zakat filings, respectively, due to the disallowance of long-term investments in mutual funds from the zakat base. The Company, in consultation with its zakat advisors, has filed appeals with the DZIT, and is awaiting a response. The Company believes that it has the basis to challenge such amounts; accordingly, no liability was recorded in the financial statements for the period ended December 31, 2015.

17. FIDUCIARY ASSETS

Clients' money accounts

As at December 31, 2015, the Company is holding clients' money accounts, with the Bank, amounting to SR 1,045 million, to be used for investments upon client discretion. Consistent with its accounting policy, such balances are not included in the Company's financial statements.

Assets under management

The market value of net assets under management at December 31, 2015 amounted to approximately SR 4,394 million.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet include cash and cash equivalents, margin loans and murabaha financing, accrued management fees and commission income, available for sale investments, bank overdraft, accrued expenses and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Credit risk

Credit risk is the risk that one party of a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has established procedures to manage credit exposure including evaluation of borrowers' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral such as managing borrowers' portfolios. Individual margin loan and murabaha financing contracts generally are for terms not exceeding twelve months.

Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The Company manages its credit risk exposure through attempting to diversify its lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers.

The Company follows a credit methodology with its margin borrowing customers that allows maintaining certain collateral margin coverage against the granted margin loans. Any exception of individual margin loan from the coverage rule is closely watched by management to execute remedial cash margins or sale of the securities held.

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18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**Commission rate risk**

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

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals accordingly the Company is not exposed to significant foreign exchange risk.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

Fair value

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. As the Company's financial instruments are compiled under the historical cost convention, except for available-for-sale investments which are carried at fair values, differences can arise between the book values and the fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

19. SEGMENTAL INFORMATION

The Company operates and conducts its business activities only in the Kingdom of Saudi Arabia. For management purposes, the Company is organized into business lines based on services provided and has the following three reportable segments:

- a. **Brokerage and Margin Lending** – this includes the brokerage & execution services by providing access to the Saudi Arabia and International markets and the extension of margin facilities for these markets for customers.
- b. **Asset Management** – this includes the management of conventional and Shariah compliant assets on behalf of investors which can be in the form of mutual funds or discretionary portfolio mandates.
- c. **Other** - this includes other business lines such as Investment banking, custody and advisory services, in addition to the proprietary investments and corporate development and control functions.

Selected financial information as at December 31 and for the period then ended, summarized by business segments, is as follows:

| 2015 | Brokerage and Margin Lending | Asset Management | Other | Total |
|--------------------|------------------------------------|---------------------|-------------|-------------|
| Operating income | 55,557,098 | 32,812,331 | 7,636,067 | 96,005,496 |
| Operating expenses | 41,255,206 | 30,564,156 | 6,397,019 | 78,216,381 |
| Net Income | 14,301,892 | 2,248,175 | 1,239,048 | 17,789,115 |
| Total assets | 501,676,787 | 3,504,802 | 181,018,395 | 686,199,984 |
| Total liabilities | 286,853,415 | - | 47,200,482 | 334,053,897 |

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM MARCH 10, 2015 TO DECEMBER 31, 2015***(All Amounts In Saudi Riyals Unless Otherwise Stated)***20. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO:**

In accordance with Pillar I of the Prudential Rules issued by the CMA (the Rules), the capital base, minimum capital requirement and capital adequacy ratio are as follows:

| | As at December 31, 2015 (SAR in '000') |
|---------------------------------------|---|
| Capital Base: | |
| Tier 1 Capital | 340,266 |
| Tier 2 Capital | - |
| Total Capital Base | <u>340,266</u> |
| Minimum Capital Requirement: | |
| Market Risk | 410 |
| Credit Risk | 156,687 |
| Operational Risk | 23,095 |
| Total Minimum Capital Required | <u>180,192</u> |
| Capital Adequacy Ratio: | |
| Capital Ratio (time) | 1.89 |
| Surplus / (Deficit) in Capital | 160,074 |

- a) The Company's business objectives when managing capital adequacy is to comply with the minimum capital requirements set forth by the CMA in the Rules, to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.
- b) The Company will disclose on annual basis certain information's as per Pillar III of the Rules for public on the Company website (www.alistithmarcapital.com) however these are not subject to review or audit by the external auditors of the Company.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on January 31, 2016.