ALJAZIRA CAPITAL COMPANY

(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2015

together with the

INDEPENDENT AUDITORS' REPORT

KPMG Al Fozan & Partners
Certified Public Accountants
KPMG Tower
Salahudeen Al Ayoubi Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com.sa

License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

The Shareholders
AlJazira Capital Company
Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of AlJazira Capital Company – A Saudi Closed Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated balance sheet as at 31 December 2015 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes (1) through (26) which form an integral part of the consolidated financial statements.

Management's responsibility for the 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 article 123 of the Regulations for Companies and the Company's By-laws 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 financial statements.

Auditors' responsibility

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 the Kingdom of 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 consolidated 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 consolidated 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 consolidated financial statements.

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

KPMG

Opinion

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

1) present fairly, in all material respects, the consolidated financial position of AlJazira Capital Company – A Saudi Closed Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31 December 2015, 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 Company; and

2) comply with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of the consolidated financial statements.

For KPMG Al Fozan & Partners
Certified Public Accountants

كي - بي - ام - جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

Khalil Ibrahim Al Sedais
License No. 371

Riyadh on: 11 Jumada'II 1437H
Corresponding to: 20 March 2016

(Saudi Riyal in thousands)

	Note	2015	2014
ASSETS			
Current assets			
Cash and cash equivalents	4	**38,736**	37,061
Held for trading investments	5	**228,764**	259,464
Due from a related party	6	**4,402**	11,236
Murabaha deposits	7	**--**	400,000
Accrued special commission income	7	**15**	16,120
Investment in real estate properties	9	**33,626**	51,669
Prepayments and other current assets	10	**27,974**	14,076
Total current assets		**333,517**	789,626
Non-current assets			
Murabaha deposits	7	**400,000**	--
Available for sale investments	8	**58,783**	113,750
Accrued special commission income	7	**491**	--
Property and equipment, net	11	**48,493**	44,320
Total non-current assets		**507,767**	158,070
Total assets		**841,284**	947,696
LIABILITIES AND EQUITY			
Current liabilities			
Due to related party	6	**833**	606
Accrued expenses and other current liabilities	12	**32,281**	27,610
Accrued Zakat and income tax	13c	**5,728**	10,510
Subsidiary equity obligations	2d	**35,825**	40,170
Total current liabilities		**74,667**	78,896
Non-current liabilities			
Provision for employees' end of service benefits		**41,223**	35,326
Total non-current liabilities		**41,223**	35,326
Total liabilities		**115,890**	114,222
Equity attributable to the Company's shareholder			
Share capital	14	**500,000**	500,000
Statutory reserve		**81,571**	70,672
Retained earnings		**102,540**	166,552
Unrealised gain on available for sale investments	8	**41,283**	96,250
Total equity attributable to the Company's shareholder		**725,394**	833,474
Total liabilities and equity		**841,284**	947,696

The accompanying notes (1) through (26) form an integral part of these consolidated financial statements.

(Saudi Riyal in thousands)

	Note	2015	2014
REVENUES			
Brokerage fees - net		**168,157**	236,347
Asset management fees	*6*	**32,679**	30,760
Margin finance management fees	*6*	**51,520**	44,529
Trading income - net	*17*	**(5,072)**	15,456
Realised gain on sale of real estate properties		**7,176**	7,018
Dividend income		**4,237**	5,892
Investment banking services fees		**8,548**	2,446
Total revenues		**267,245**	342,448
OPERATING EXPENSES			
Salaries and employee related expenses		**103,483**	92,726
Repairs and maintenance		**9,565**	9,121
Rent and premises related expenses	*6, 20*	**9,198**	9,761
Depreciation	*11*	**7,194**	7,813
Other general and administrative expenses	*19*	**33,873**	31,654
Total operating expenses		**163,313**	151,075
Income from main operations		**103,932**	191,373
Special commission income		**8,072**	8,689
Other income	*18*	**1,205**	344
Income attributable to subsidiary equity obligations – net		**(4,220)**	(4,207)
Net income for the year		**108,989**	196,199
Weighted average number of shares		**50,000**	50,000
Earnings per share from:	*16*		
Income from main operations		***2.08***	*3.83*
Net income		***2.18***	*3.92*

The accompanying notes (1) through (26) form an integral part of these consolidated financial statements.

(Saudi Riyal in thousands)

	Note	2015	2014
Cash flows from operating activities:			
Net income for the year		**108,989**	196,199
Adjustments to reconcile net income for the year to net cash from operating activities:			
Depreciation		**7,194**	7,813
Unrealized loss on investments held for trading	*17*	**7,373**	5,055
(Gain) / loss on disposal of property and equipment, net		**(93)**	119
Provision for employees' end of service benefits		**6,664**	6,806
		130,127	215,992
Changes in operating assets and liabilities:			
Held for trading investments		**26,371**	(73,859)
Due from a related party		**6,834**	14,460
Investment in real estate properties		**18,043**	15,508
Accrued special commission income		**15,614**	(7,908)
Prepayments and other current assets		**(13,898)**	(2,071)
Due to related party		**227**	43
Accrued expenses and other current liabilities		**4,671**	4,281
Accrued Zakat and income tax		**(3,428)**	(3,172)
		184,561	163,274
Employees' end of service benefits paid		**(767)**	(2,241)
Net cash generated from operating activities		**183,794**	161,033
Cash flows from investing activities			
Investment in Murabaha deposits		**(400,000)**	--
Murabaha deposits matured		**400,000**	--
Purchase of property and equipment		**(11,473)**	(19,996)
Proceeds from disposal of property and equipment		**199**	--
Net cash used in investing activities		**(11,274)**	(19,996)
Cash flows from financing activities			
Dividends paid	*15*	**(166,500)**	(112,500)
Subsidiary equity obligations		**(4,345)**	(10,639)
Net cash used in financing activities		**(170,845)**	(123,139)
Net increase in cash and cash equivalents		**1,675**	17,898
Cash and cash equivalents at beginning of the year		**37,061**	19,163
Cash and cash equivalents at end of the year	*4*	**38,736**	37,061
Supplemental information			
Zakat and income tax charged to shareholder's equity		**1,354**	7,055
Net change in fair value of available for sale investments		**(54,967)**	20,125
Transfer of charity payable to Bank AlJazira		**224**	--

The accompanying notes (1) through (26) form an integral part of these consolidated financial statements.

(Saudi Riyal in thousands)

	Equity attributable to shareholder				
	Share capital	Statutory reserve	Retained earnings	Reserve against available for sale investments	Total
Balance at 1 January 2014	500,000	51,052	112,572	76,125	739,749
Net income for the year	--	--	196,199	--	196,199
Dividends paid during the year	--	--	(112,500)	--	(112,500)
Transfer to statutory reserve	--	19,620	(19,620)	--	-
Zakat and income tax (Note 13)	--	--	(7,055)	--	(7,055)
Net movement due to change in ownership	--	--	(3,044)	--	(3,044)
Net change in fair value	--	--	--	20,125	20,125
Balance at 31 December 2014	**500,000**	**70,672**	**166,552**	**96,250**	**833,474**
Net income for the year	**--**	**--**	**108,989**	**--**	**108,989**
Dividends paid during the year	**--**	**--**	**(166,500)**	**--**	**(166,500)**
Transfer to statutory reserve	**--**	**10,899**	**(10,899)**	**--**	**--**
Zakat and income tax (Note 13)	**--**	**--**	**1,354**	**--**	**1,354**
Net movement due to change in ownership	**--**	**--**	**3,044**	**--**	**3,044**
Net change in fair value	**--**	**--**	**--**	**(54,967)**	**(54,967)**
Balance at 31 December 2015	**500,000**	**81,571**	**102,540**	**41,283**	**725,394**

The accompanying notes (1) through (26) form an integral part of these consolidated financial statements.

(Saudi Riyal in thousands)

1. ORGANIZATION AND ACTIVITIES

1.1 AlJazira Capital Company ("the Company") is a Saudi Closed Joint Stock Company incorporated under Ministerial Resolution No. S/57 dated 20 Safar 1429H (corresponding to 27 February 2008) and was operating under commercial registration number 4030177603 dated 17 Rabi Awal 1429H (corresponding to 25 March 2008). During the year 2011, the commercial registration number of the Company was changed due to the relocation of the Head Office from Jeddah to Riyadh and it is now registered under commercial registration number 1010351313 dated 13 Dhul-Qadah 1433H (corresponding to 29 September 2012) with a Branch in Jeddah.

The Company is licensed as a financial services company regulated by the Capital Market Authority (" the CMA"). The Company is engaged in dealing, arranging, managing, advising and custody activities in accordance with the CMA Resolution no. 2-38-2007 dated 8 Rajab 1428H, corresponding to 22 July 2007 and license number 07076-37.

The Company was authorised to commence operations on 5 April 2008, by taking over the Brokerage Division of Bank AlJazira ("the Bank").

The registered address of the Company is located at the following address:

AlJazira Capital
King Fahad Road
P.O. Box 20438
Riyadh 11455
Kingdom of Saudi Arabia

The subsidiaries included in these consolidated financial statements are as follows:

Name of subsidiary	Country of incorporation	Ownership percentage	
		2015	2014
AlJazira Residential Projects Fund	Kingdom of Saudi Arabia	**43.64%**	43.64%
AlJazira Global Emerging Markets Fund	Kingdom of Saudi Arabia	**76.21%**	85.56%
AlJazira GCC Income Fund	Kingdom of Saudi Arabia	**67.83%**	74.33%
AlJazira Diversified Conservative Fund	Kingdom of Saudi Arabia	**93.34%**	--

Although the Company's ownership in AlJazira Residential Projects Fund ("the Fund") is less than 50%, it is considered as a subsidiary since the Company can direct the financial and operational policies of the Fund, so as to obtain benefits from its activities, as included in the Fund's terms and conditions.

1.2 AlJazira Residential Projects Fund (the "Fund") had an original closure date of 23 January 2015, which was extendable up to 23 January 2016 by the Fund Manager. The Fund Manager initially exercised such extension option and has now applied for a further extension of the Fund's term up to 24 July 2016; the further extension is yet to be approved by the CMA. Accordingly, there is a material uncertainty regarding the validity of going concern assumption of the Fund. Assets of the Fund have been stated at the lower of cost and net realizable values while liabilities are stated at the amounts at which they are expected to be discharged which does not have a significant impact on these consolidated financial statements.

Assets and liabilities of the Fund included in these consolidated financial statements as at 31 December 2015 are summarized below:

	Note	2015	2014
Investment in real estate properties	*9*	**33,626**	51,669
Total assets		**38,836**	51,670
Total liabilities		**10,512**	5,467

1. ORGANIZATION AND ACTIVITIES (Continued)

Income and expenses related to the Fund included in these consolidated financial statements are summarized below:

	2015	2014
Realised gain on sale of real estate properties	**7,176**	7,018
Total income	**7,176**	7,086
Total expenses	**577**	2,398

2. BASIS OF PREPARATION

a. Statement of compliance

These consolidated financial statements have been prepared in accordance with the Generally Accepted Accounting Standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

b. Basis of measurement

These consolidated financial statements have been prepared on historical cost basis except for investments held for trading and available for sale investments, which are measured at fair value, using the accrual basis of accounting and the going concern concept.

c. Functional and presentation currency

The consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and reporting currency of the Company.

d. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred as the Group). The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying an ownership interest of more than half of the voting rights. A subsidiary is consolidated from the date on which control is transferred to the Company and ceases to be consolidated from the date on which the control in transferred from the Company.

All significant intra Group transactions and balances have been eliminated upon consolidation.

Subsidiary equity obligations represent the interest of other unit holders in subsidiary funds, and are classified as liabilities, and recorded at fair value in these consolidated financial statements.

e. Use of estimates and judgements

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. Significant areas where management has used estimates, assumptions or exercised judgement are disclosed in note 3 (h) of these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements. Certain comparative amounts have been reclassified to conform with the current year's presentation.

a. Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash at bank, cash in hand and short term highly liquid investments with original maturity of three months or less, if any, which are available to the Company without any restrictions.

b. Investments

Investment held for trading

An investment is classified as held for trading if it is purchased for the purpose of resale in the short term. Investments held for trading are recognised initially at cost on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the investment. Upon initial recognition, attributable transaction costs are recognised in the statement of income when incurred. Subsequent to initial recognition, these investments are measured at fair value and changes therein are recognised in the consolidated statement of income.

Available for sale investments (AFS)

Available for sale investments principally consist of less than 20% share in quoted equity investments, which are not held for trading purposes and where the Company does not have any significant influence or control. These are initially recognized and subsequently re-measured at fair value. Any changes in fair value are recognized in equity as fair value reserve until the investment is disposed. Any significant and prolonged decline in value of the available for sales investments, if any, is charged to the consolidated statement of income. The fair value of these investments is determined by reference to quoted market bid prices at the close of business on the consolidated balance sheet date.

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 statement of income when the investment is derecognized or impaired.

Investment in real estate properties

Investment in real estate properties represents real estate properties held by a subsidiary for development purposes. Investment is stated at the lower of cost and net realizable values. Development expenses, developer fees, and the project consultant engineer fees incurred to date are capitalised and included in the carrying value of the real estate properties.

c. Property and equipment

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

Subsequent expenditures that increase the value or materially extend the life of the related assets are capitalized and amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. Expenditures for repair and maintenance are charged to the statement of income.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and it is probable that an outflow of economic benefits, will be required to settle the obligation.

e. Accruals

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

f. Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the consolidated statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

g. Foreign currencies

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the exchange rates prevailing at transaction dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into Saudi Riyals at the exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

h. Impairment and un-collectability of financial assets

Impairment of available for sale investments

The management exercises judgment to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessments of objective evidence which causes another than temporary decline in the value of investments. Any significant and prolonged decline in the fair value of equity investments below its cost is considered objective evidence for the impairment. The determination of what is "significant and prolonged" requires judgment. The Company' also considers impairment to be appropriate when there is evidence of deterioration in the financial health of investee, industry and sector performance, changes in technology, and operational and financing cash flow. The management also considers impairment testing 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. Management considers 20% or more as a reasonable measure for significant decline below its cost, irrespective of the duration of the decline, and is recognized in the consolidated statement of income as impairment charge on investments. Prolonged decline represents decline below cost that persists for nine months or longer, recognized in the consolidated statement of income as impairment charge on investments. Any previously recognized impairment losses in respect of equity investments cannot be reversed through the consolidated statement of income.

Impairment of held to maturity investments

Impairment losses on held to maturity investments are measured as the difference between carrying cost and the present value of estimated future cash flows. Impairment losses are recognised 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.

Impairment of non-financial assets

Other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(Saudi Riyal in thousands)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Assets held in trust or in a fiduciary capacity

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company and accordingly are treated as off-balance sheet items in these consolidated financial statements.

j. Revenue

Revenue on transactions is recognized as follows:

- Brokerage income is recognized when the related transactions are executed and stated net of discounts and rebates.
- Asset management fees are recognized based on the applicable service contracts.
- Margin finance management fees are recognized based on customer utilization of the facility from the Bank at the applicable rates.
- Advisory fee income is recognized based on services rendered under the applicable service contracts.
- Special commission income on term deposits are recognized on an accrual basis.
- Dividend income is recognized when the right to receive dividend is established.

k. Zakat and income tax

Zakat and income tax are provided for in the financial statements in accordance with Saudi Department of Zakat and Income Tax ("DZIT") regulations. Zakat and income tax are charged to the statements of changes in shareholder's equity. Additional Zakat and income tax liabilities, if any, related to prior years' assessments arising from DZIT are accounted for in the period in which the assessments are finalized.

l. 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.

m. Statutory Reserve

In accordance with its By-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 50% of its share capital. This Statutory Reserve is not available for distribution to shareholders.

n. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

o. Offsetting

Financial assets and 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.

4. CASH AND CASH EQUIVALENTS

	2015	2014
Short term Murabaha deposit (Note 7)	**25,000**	-
Cash at bank – current account	**13,716**	37,041
Cash in hand	**20**	20
	38,736	37,061

5. HELD FOR TRADING INVESTMENTS

	2015	2014
Mutual fund units	**127,802**	122,183
Quoted Saudi equities	**100,962**	137,281
	228,764	259,464

(Saudi Riyal in thousands)

6. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of AlJazira Bank and its subsidiaries and affiliated companies. The transactions are carried out on mutually agreed terms approved by the management of the Company.

The significant transactions with related parties during the year and the related amounts are as follows:

Name of related parties	2015	2014
Bank AlJazira		
Special commission income (a)	**8,072**	8,689
Support service charges (b)	**3,988**	4,677
Rent expense (c)	**9,198**	9,761
Margin finance management fees (d)	**51,520**	44,529
Board of Directors		
Directors remuneration (e)	**1,513**	1,940
Mutual funds		
Asset management fees	**23,152**	22,544

The above transactions resulted in the following balance as at 31 December 2015:

	2015	2014
Due from a related party		
Bank AlJazira (the Bank)	**4,402**	11,236
Due to a related party		
Al Jazira Takaful	**833**	606
Investments in Mutual funds managed by the Company	**123,663**	122,183

a. Special commission is earned on Murabaha deposits maintained in the Bank's Naqa Murabaha scheme (Note 7).

b. Support service charges represent financial, administrative, logistics, legal, IT related and internal audit services as per the service agreement with the Bank (Note 19).

c. Rent expenses are paid to the Bank in relation to the offices and investment centres of the Company as disclosed in note 20 of these consolidated financial statements.

d. Margin finance management fees represents fee charged to the Bank for services provided by the Company in respect of operating and managing finance facilities extended by the Bank to customers.

e. Board of Directors remunerations amounting to SR 1.5 million (2014: SR 1.9 million) has been calculated and approved in accordance with the Company's By-Laws. Attendance fees paid to the directors, amounting to SR 0.036 million (2014: SR 0.036 million), are recorded under general and administrative expenses.

f. Cash at bank as disclosed in note 4 of these financial statements is maintained with Bank AlJazira which acts as the Company's Bank.

(Saudi Riyal in thousands)

7. MURABAHA DEPOSITS

Murabaha deposits represents amounts invested in Bank AlJazira Naqa scheme at fixed rates by the Company. Murabaha deposits amounting to SR 25 million and SR 400 million are invested for one month and three years respectively (2014: SR 400 million invested for three years).

Accrued special commission income that will be received at maturity of these deposits amounted to SR 0.51 million as at 31 December 2015 (2014: SR 16.1 million).

8. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments represents Company's 1.75 million shares (being 5% of invested share capital) with a total cost of SR 17.5 million and a market value of SR 58.78 million in AlJazira Takaful Taawuni Company the "Investee Company". As per the prospectus of Investee Company, the founding shareholders are prohibited to dispose of the acquired shares until 31 December 2016. The net change in fair value of this investment was a reduction of SR 55 million as at 31 December 2015 (2014: an increase of SR 20.1 million) which is measured based on the quoted market price prevailing at the valuation date and is recorded as a separate component of shareholder's equity.

9. INVESTMENT IN REAL ESTATE PROPERTIES

AlJazira Residential Projects Fund acquired parcels of land located in the Eastern and Central regions of the Kingdom of Saudi Arabia for the purpose of constructing and developing residential projects. The details of investments in real estate properties are summarised below:

	Cost including development expenses		Fair value including development expenses	
	2015	**2014**	**2015**	**2014**
Project locations				
North Riyadh	**11,558**	14,417	**12,930**	16,454
Dammam	**--**	20,822	**--**	27,671
North Khobar	**22,068**	16,430	**24,150**	17,750
	33,626	51,669	**37,080**	61,875

The investment in real estate properties are carried at historical cost. The fair value of investments in real estate properties is based on average of two market values obtained from the independent valuers.

The title deeds of the real estate properties are registered in the name Aman for Real Estate Development and Investment Company (a subsidiary of Bank AlJazira), which acts as a custodian of the title deeds.

Movement in investment in real estate properties during the year.

	2015	**2014**
At beginning of the year	**51,669**	67,177
Additions during the year	**11,136**	12,767
Disposals during the year	**(29,179)**	(28,275)
At end of the year	**33,626**	51,669

Realised gain on sale of real estate properties amounted to SR 7.2 million (2014: SR 7.0 million).

10. PREPAYMENTS AND OTHER CURRENT ASSETS

	2015	**2014**
Asset management fees receivable	**14,702**	10,268
Prepayments	**10,043**	2,895
Others	**3,229**	913
	27,974	14,076

(Saudi Riyal in thousands)

11. PROPERTY AND EQUIPMENT, NET

	2015					2014
	Leasehold improvement	Furniture, fixture and office equipment	Motor Vehicle	Capital work in progress	Total	Total
Cost						
At beginning of the year	**76,940**	**92,543**	**25**	**14,039**	**183,547**	164,169
Additions during the year	**564**	**4,078**	**--**	**6,831**	**11,473**	19,996
Transfers during the year	**--**	**14,757**	**--**	**(14,757)**	**--**	--
Disposals during the year	**--**	**(1,653)**	**--**	**--**	**(1,653)**	(618)
At end of the year	**77,504**	**109,725**	**25**	**6,113**	**193,367**	183,547
Accumulated depreciation						
At beginning of the year	**55,821**	**83,381**	**25**	**--**	**139,227**	131,913
Charge for the year	**3,033**	**4,161**	**--**	**--**	**7,194**	7,813
Eliminated on disposals	**--**	**(1,547)**	**--**	**--**	**(1,547)**	(499)
At end of the year	**58,854**	**85,995**	**25**	**--**	**144,874**	139,227
Net book value at						
- 31 December 2015	**18,650**	**23,730**	**--**	**6,113**	**48,493**	
- 31 December 2014	21,119	9,162	--	14,039		44,320

Capital work in progress represents leasehold improvements and office equipment related items.

The estimated useful lives of the assets are as follows:

Leasehold improvements	Over the lease period or 20 years, whichever is shorter
Furniture, fixtures and office equipment	4-10 years
Motor vehicles	4 years

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2015	2014
Employee related liabilities	**19,882**	19,378
Accrued expenses	**9,913**	6,057
Directors' remuneration	**1,513**	1,804
Other liabilities	**973**	371
	32,281	27,610

(Saudi Riyal in thousands)

13. ZAKAT AND INCOME TAX

The Bank is 94.17% owned by Saudi shareholders and 5.83% owned by foreign shareholders. Therefore, 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 of the Bank and to income taxes attributable to the foreign shareholders of the Bank.

In accordance with Ministerial Resolution 1005, consolidated Zakat and tax returns are filed for Bank AlJazira and the Company. The Zakat liability in the consolidated Zakat and tax return for the Company is calculated on the adjusted profit basis.

a. Zakat

	2015	2014
Zakat for the year	**2,643**	4,717
Saudi shareholders' ownership percentage	**94.17%**	94.17%
Saudi share of adjusted net income for the year – Zakat base	**105,715**	188,703
Zakat charge based on Zakatable income for the year	**2,643**	4,717

Zakat is charged to retained earnings and is payable to and settled by the Bank in its consolidated Zakat and income tax return.

b. Income tax

	2015	2014
Income tax for the year	**1,310**	2,338
Net adjusted income for the year	**112,263**	200,392
Foreign shareholders' ownership percentage	**5.833%**	5.833%
Taxable income attributable to foreign shareholder	**6,548**	11,689
Income tax charge for the year	**1,310**	2,338

Income tax is recoverable from the foreign shareholder and is therefore not charged to retained earnings. This income tax is payable to the Bank and is settled once the Bank recovers the amount from the foreign shareholder.

c. Movement in Zakat and income tax accrual

The movement during the year is as follows:

	Zakat	Income tax	Total
31 December 2015			
At beginning of the year	**4,718**	**5,792**	**10,510**
Zakat provided during the year (Note 13a)	**2,643**	**-**	**2,643**
Income tax liability for the year recoverable from foreign shareholder (Note 13b)	**-**	**1,310**	**1,310**
Income tax liability no longer payable as recovered from foreign shareholder	**-**	**(3,997)**	**(3,997)**
Payment to DZIT		**(20)**	**(20)**
Transferred to the Bank	**(4,718)**	**-**	**(4,718)**
At the end of the year	**2,643**	**3,085**	**5,728**
31 December 2014			
At beginning of the year	3,172	3,455	6,627
Provided during the year	4,718	2,337	7,055
Transferred to the Bank	(3,172)	-	(3,172)
At the end of the year	4,718	5,792	10,510

(Saudi Riyal in thousands)

13. ZAKAT AND INCOME TAX (Continued)

d. Status of assessments

Zakat and income tax assessments for the period ended 31 December 2008 and the years ended 31 December 2009, 2010 and 2011, for which the Company filed separate Zakat and income tax returns, have been finalized by the Department of Zakat and Income Tax (DZIT) with an additional demand of SR 29.9 million. The Company has filed an appeal with the Higher Appeal Committee (HAC) against the Preliminary Appeal Committee (PAC) decision, and as required by the DZIT submitted a bank guarantee for the liability under dispute.

With respect to the year 31 December 2012, the DZIT issued an initial Zakat and income tax assessment with an additional demand of SR 11.9 million. Following the Company's appeal against the DZIT's initial assessment for 2012, a decision was issued by PAC in January 2016 resulting in a decrease in the initially assessed amount of SR 11.9 million to SR 0.4 million. The Company intends to file an appeal with HAC in respect of some matters not ruled in its favor by the PAC.

The management of the Company believes that their views on matters under appeal with respect to above mentioned years will be upheld by the HAC.

For the years ended 31 December 2013 and 2014 in accordance with Ministerial Resolution 1005, consolidated Zakat and tax returns have been filed for Bank AlJazira and the Company. No separate Zakat and tax return is required to be filed by the Company with the DZIT.

14. SHARE CAPITAL

The share capital is divided into 50,000,000 shares (2014: 50,000,000 shares) of SR 10 each.

15. DIVIDENDS

The shareholder approved dividends amounting to SR 166.5 million (2014: SR 112.5 million) in their annual general assembly meeting held on 12 May 2015.

16. EARNINGS PER SHARE

Earnings per share on income from main operations is calculated by dividing income from main operations by the weighted average number of shares in issue during the year. Earnings per share on net income is calculated by dividing net income by the weighted average number of shares in issue during the year.

17. TRADING INCOME, NET

	2015	2014
Unrealised loss on investments held for trading, net	**(7,373)**	(5,055)
Realised gain on investments held for trading, net	**2,301**	20,511
	(5,072)	15,456

18. OTHER INCOME

	2015	2014
Fee income	**1,112**	463
Gain / (loss) on disposal of property and equipment, net	**93**	(119)
	1,205	344

19. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Communication	**9,400**	8,682
Support service charges (Note 6 b)	**3,988**	4,677
Share depository	**3,360**	3,720
Professional fees	**5,182**	2,658
Travelling	**1,547**	1,757
Utilities	**1,147**	1,601
Advertisement	**2,200**	1,068
Training and conferences	**563**	743
Others	**6,486**	6,748
	33,873	31,654

(Saudi Riyal in thousands)

20. OPERATING LEASES

The Bank has various operating lease arrangements for Bank AlJazira Group offices including the Head Office and investment centres of the Company. These leases have a term of five to twenty five years. All rental agreements are contracted between the Bank and lessors. Rental expenses are charged to the Company by the Bank based on actual space utilization and, for the year ended 31 December 2015, amounted to SR 9.2 million (2014: SR 9.8 million).

21. LOAN FACILITY

During the year ended 31 December 2015, the Company had a revolving Islamic facility from Bank AlJazira, for a total amount of SR 124.4 million. The loan facility carries commission at a rate of 6 month SIBOR plus a market rate margin payable every month.

22. ASSETS HELD UNDER FIDUCIARY CAPACITY

Client funds are managed in a fiduciary capacity without risk or recourse to the Company. These assets are considered as off balance sheet items and do not constitute part of the Company's assets. The following table summarises the fiduciary assets, as at 31 December:

	2015	2014
Clients' funds under management	**4.1 billion**	4.1 billion
Clients' fund under administration / brokerage	**37.4 billion**	37.5 billion

23. SEGMENT REPORTING

Consistent with the internally approved reporting process, the Company is organised into business units based on services provided as follows:

Brokerage Services
Brokerage services include acting as principal and agent in local, regional and international equity markets, providing custody and clearing services to clients and extending margin lending facilities.

Asset Management Services
Asset Management services include the management of investment funds in international, GCC and local equity markets and discretionary portfolio management.

Investment Banking Services
Investment Banking provides finance advisory, private placements, public offerings of equity and debt securities, mergers, acquisitions and syndications.

Other Corporate Services
Other corporate services include income and expenses relating to the proprietary investments of the Company.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on individual segment's profit or loss.

	Brokerage	Asset management	Investment banking	Other Corporate	Total
31 December 2015					
Revenue	**219,677**	**32,679**	**8,548**	**6,341**	**267,245**
Expenses	**(131,317)**	**(21,905)**	**(8,215)**	**(1,876)**	**(163,313)**
Income from operations	**88,360**	**10,774**	**333**	**4,465**	**103,932**
Total assets	**43,409**	**28,272**	**129**	**769,474**	**841,284**
Total liabilities	**21,865**	**4,438**	**1,649**	**52,113**	**80,065**
31 December 2014					
Revenue	280,876	30,760	2,446	28,366	342,448
Expenses	(122,127)	(18,170)	(8,270)	(2,508)	(151,075)
Income / (loss) from operations	158,749	12,590	(5,824)	25,858	191,373
Total assets	61,775	28,423	516	856,982	947,696
Total liabilities	19,189	3,309	1,510	50,044	74,052

(Saudi Riyal in thousands)

24. REGULATORY REQUIREMENTS FOR CAPITAL AND CAPITAL ADEQUACY

The CMA has issued Prudential Rules (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	As at 31 December	
	2015	**2014**
Capital Base:		
Tier 1 Capital	**676,738**	737,223
Tier 2 Capital	**41,283**	96,250
Total Capital Base	**718,021**	833,473
Minimum Capital Requirement:		
Market Risk	**42,794**	48,715
Credit Risk	**74,844**	87,260
Operational Risk	**45,180**	49,049
Total Minimum Capital Required	**162,818**	185,024
Capital Adequacy Ratio:		
Total Capital Ratio (time)	**4.41**	4.50
Surplus in Capital	**555,203**	648,449

a. Capital Base of the Company comprise of:

- **Tier-1 capital** consists of paid-up share capital, retained earnings, reserves excluding revaluation reserves.
- **Tier-2 capital** consists of revaluation reserves.

b. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in the Rules.

c. The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets of the Group comprise of cash and cash equivalents, due from a related party and investments. Financial liabilities of the Group comprise of accrued expenses.

Price risk

Price risk is the risk that the fair value of equities may change as a result of changes in the market prices. The Group's investments are exposed to market price risk arising from uncertainties in respect of future prices. The Group manages this risk through diversification of its investment portfolio in terms of industry and sector based concentration.

Special commission rate risk

Special commission rate risk is the exposure to various risk associated with the effect of fluctuations in the prevailing commission rate on the Group's financial position and cash flows. The Group's only commission bearing assets are Naqa Murabaha deposit maintained with the Bank which are based on the fixed rates and are not exposed to special commission rate fluctuations.

In relation of the financing arrangement with the Bank, the Company has limited commission rate risk as the facility is utilized occasionally for a very short period.

Credit risk

Credit risk is the risk that one party fail to discharge an obligation and may cause the other party to incur a financial loss. Financial assets which are subject to credit risk consist principally of bank balance and due from a related party. Both the balances relate to the Bank, which has sound financial standing hence the risk is limited.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring that sufficient funds are available to meet any commitment as they arise. Further, as mentioned in note 21 of these consolidated financial statements, the Group has made financing arrangements with the Bank in order to meet its liquidity requirements, as and when required.

Currency risk

Currency risk is the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals (SAR) and US Dollar (USD). As SAR is pegged to the USD, therefore, the Group is not exposed to any significant foreign exchange risk.

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. The Group's financial assets consist of cash and cash equivalents, due from a related party and investments. Its financial liabilities consist of accrued expenses. The fair values of financial assets and liabilities are not materially different from their carrying values.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements and its accompanying notes were approved for issue by the management on behalf of Board of Directors' on 11 Jumada al-Thani 1437H (corresponding to 20 March 2016).