NCB CAPITAL COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017
with
INDEPENDENT AUDITORS' AUDIT REPORT

NCB CAPITAL COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

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Independent auditors' report

To the Shareholders of
NCB Capital Company
A Saudi Closed Joint Stock Company
Jeddah, Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of NCB Capital Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at December 31, 2017, the consolidated statements of income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with generally accepted accounting standards as issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting standards as issued by SOCPA, the applicable requirements of the Regulations for Companies, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of NCB Capital Company ("the Company") and its subsidiaries ("the Group").

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382

Jeddah, Rajab 9, 1439H
Corresponding to March 26, 2018

C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

NCB CAPITAL COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET
As at December 31, 2017
(Expressed in Saudi Riyals '000)

	Notes	*2017*	*2016*
Assets			
Current assets			
Cash and cash equivalents	4	**150,030**	113,032
Murabaha financing	3 (q)	**78,577**	--
Investments	5	**652,067**	760,228
Prepayments and other assets - current portion	6	**118,387**	110,703
Total current assets		**999,061**	983,963
Non-current assets			
Investments	5	**84,872**	72,471
Prepayments and other assets - non-current portion	6	**15,219**	9,316
Investment in associates, net	7	**31,825**	25,196
Property, equipment and software	8	**170,383**	172,990
Total non-current assets		**302,299**	279,973
Total assets		**1,301,360**	1,263,936
Liabilities and equity			
Liabilities			
Current liabilities			
Dividend payable	9	**14,635**	10,409
Amount due to The National Commercial Bank	17 (a)	**8,261**	17,336
Accounts payable, accruals and other liabilities	10	**210,177**	166,386
Total current liabilities		**233,073**	194,131
Non-current liability			
Employee benefits	11	**61,818**	50,646
Total liabilities		**294,891**	244,777
Equity			
Share capital	12	**1,000,000**	1,000,000
Shares held under employees' share based payments scheme	13 (d)	**(213,698)**	(202,904)
Statutory reserve	3 (x)	**134,248**	104,248
Other reserves		**(11,494)**	(3,295)
Equity-settled employees' share based payments scheme reserve	13	**22,938**	19,173
Retained earnings		**63,838**	91,399
Equity attributable to equity holders of the parent		**995,832**	1,008,621
Non-controlling interest		**10,637**	10,538
Total equity		**1,006,469**	1,019,159
Total liabilities and equity		**1,301,360**	1,263,936

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, 2017
(Expressed in Saudi Riyals '000)

	Notes	*2017*	*2016*
Fees from services, net			
- Asset Management		**442,728**	322,526
- Brokerage		**149,921**	197,776
- Investment Banking		**32,272**	43,275
		624,921	563,577
Income from held for trading investments, net		**13,899**	9,806
Realized gain on available-for-sale investments		**5,533**	7,695
Income from murabaha financing		**2,443**	--
Profit on sukuks and placements		**1,296**	1,245
Exchange gain / (loss)		**225**	(187)
Total operating income		**648,317**	582,136
Salaries and employee related expenses		**217,955**	207,558
Rent and premises related expenses		**12,618**	13,056
Depreciation	8	**19,894**	34,825
Other general and administrative expenses	14	**106,208**	99,508
Total operating expenses		**356,675**	354,947
Net operating income for the year		**291,642**	227,189
Other income		**134**	2,036
Share of results in associates, net	7	**11,984**	18,141
Total non-operating income		**12,118**	20,117
Net income for the year before Zakat		**303,760**	247,366
Zakat charge for the year	10 (b)	**(34,000)**	(27,330)
Net income for the year after Zakat		**269,760**	220,036
Attributable to:			
- Equity holders of the parent		**269,204**	213,166
- Non-controlling interest		**556**	6,870
		269,760	220,036
Basic and diluted earnings per share (SR) – attributable to equity holders of the parent	15	**2.88**	2.30

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, 2017
(Expressed in Saudi Riyals '000)

	Notes	*2017*	*2016*
Cash flows from operating activities:			
Net income for the year before non-controlling interests and Zakat		**303,760**	247,366
Adjustments to reconcile net income to net cash from operating activities:			
Income from held for trading investments, net		**(13,899)**	(9,806)
Realized gain on available-for-sale investments		**(5,533)**	(7,695)
Share of results in associates, net	7	**(11,984)**	(18,141)
Equity-settled employees' share based payments scheme	13	**21,866**	16,471
Exchange (gain) / loss		**(225)**	187
Depreciation	8	**19,894**	34,825
Interest (income) on held to maturity investments		**(1,282)**	(294)
Operating income before change in operating assets and liabilities		**313,651**	262,913
Working capital adjustments:			
Prepayments and other assets		**(8,087)**	(20,697)
Held for trading investments		**71,810**	146,976
Employees' end of service benefits, net		**6,410**	(2,451)
Murabaha financing		**(78,577)**	--
Amounts due from / to The National Commercial Bank, net		**(9,075)**	16,848
Accounts payable, accruals and other liabilities		**9,593**	(52,649)
Net cash from operating activities		304,671	350,940
Cash flows from investing activities:			
Purchase of property, equipment and software	8	**(17,291)**	(35,849)
Purchase of available-for-sale investments		**(12,728)**	(548)
Maturity of murabaha placement		**50,383**	--
Disposal of available-for-sale investments		**12,160**	13,862
Purchase of held to maturity investments		**(13,750)**	(70,000)
Net cash generated from / (used in) investing activities		**18,774**	(92,535)
Cash flows from financing activities:			
Dividend paid	9	**(275,878)**	(640,438)
Movement in non-controlling interests		**225**	--
Purchase of shares held under employees' share based payments scheme by Baco	13 (d)	**(10,794)**	(21,689)
Net cash (used in) financing activities		**(286,447)**	(662,127)
Net increase / (decrease) in cash and cash equivalents		**36,998**	(403,722)
Cash and cash equivalents at beginning of the year		**113,032**	516,754
Cash and cash equivalents at end of the year	4	**150,030**	113,032

CONSOLIDATED STATEMENT OF CASHFLOWS
For the year ended December 31, 2017
(Expressed in Saudi Riyals '000)

	Notes	*2017*	*2016*
NON-CASH SUPPLEMENTARY INFORMATION			
Dividend declared during the year	9	**300,000**	300,000
Net unrealized (loss) /gain on available-for-sale investments		**(1,984)**	1,530
Dividend on unallocated / forfeited shares	9	**19,896**	21,558
Re-measurement (loss) /gain on employees' end of service Benefits	11 (a)	**(4,762)**	7,890

NCB CAPITAL COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2017
(Expressed in Saudi Riyals '000)

	Attributable to equity holders of the parent								
	Share capital	*Shares held under employees' share based payments scheme*	*Statutory reserve*	*Other reserves*	*Equity-settled employees' share based payments scheme reserve*	*Retained earnings*	*Subtotal*	*Non-controlling interest*	*Total*
Balance as at January 1, 2017	1,000,000	(202,904)	104,248	(3,295)	19,173	91,399	1,008,621	10,538	1,019,159
Income for the year	--	--	--	--	--	269,204	269,204	556	269,760
Net unrealized loss on available-for-sale Investments	--	--	--	(1,984)	--	--	(1,984)	--	(1,984)
Realized gain on available-for-sale investments transferred to Consolidated Statement of Income	--	--	--	(5,533)	--	--	(5,533)	--	(5,533)
Share of associates' other reserves (note 7)	--	--	--	(682)	--	--	(682)	(682)	(1,364)
Equity-settled employees' share based payments Scheme for the year (note 13)	--	--	--	--	21,866	--	21,866	--	21,866
Transfer from equity-settled employees' share based payments scheme to retained earnings (note 13 (b))	--	--	--	--	(18,101)	18,101	--	--	--
Transfer to statutory reserve	--	--	30,000	--	--	(30,000)	--	--	--
Re-measurement loss on employees' end of service benefits (note 11 (a))	--	--	--	--	--	(4,762)	(4,762)	--	(4,762)
Purchase of shares held under employees' share based payments scheme by Baco (note 13 (d))	--	(10,794)	--	--	--	--	(10,794)	--	(10,794)
Dividend declared during the year (note 9)	--	--	--	--	--	(300,000)	(300,000)	--	(300,000)
Dividend on forfeited / unallocated shares (note 9)	--	--	--	--	--	19,896	19,896	--	19,896
Other movement in non-controlling Interest	--	--	--	--	--	--	--	225	225
Balance as at December 31, 2017	**1,000,000**	**(213,698)**	**134,248**	**(11,494)**	**22,938**	**63,838**	**995,832**	**10,637**	**1,006,469**

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, 2017
(Expressed in Saudi Riyals '000)

	Attributable to equity holders of the parent								
	Share capital	*Shares held under employees' share based payments scheme*	*Statutory reserve*	*Other reserves*	*Equity-settled employees' share based payments scheme reserve*	*Retained earnings*	*Subtotal*	*Non-controlling interest*	*Total*
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	--	--	--	--	(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.

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 29 Rabi Awal 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") 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. All legal proceedings related to liquidation were completed on June 13, 2017.These consolidated financial statements of the Group include the financial statements of the Company and following subsidiaries up to December 31, 2017.

Oryx Regional Private Equity Fund

The Company has a 50% (2016: 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 Group 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. On December 28th, 2017, the Fund Board resolved to extend the life of the Fund by one calendar year till March 20, 2019 in order to enable more orderly disposition of the assets which further serves the best interest of the Unit holders.

1. GENERAL (continued)

NCB Capital Dubai Inc.

Effective January 1, 2008, the Company acquired control over NCB Capital Dubai Inc. ("NCBC Dubai") [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.

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.

The Company has a 100% (2016: 100%) ownership interest in NCB Capital Dubai Inc.

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 NCB Capital Company's employee share ownership plans and is fully owned by the Company.

NCBC Investment Management Umbrella Company Plc

The Company has 100% (2016: 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. At December 31, 2017, the liquidation proceedings of the Company are in process.

1. GENERAL (continued)

NCB Capital Real Estate Investment Company

The Company has 100% (2016: 100%) ownership in NCB Capital Real Estate Investment Company ("REIC"), a company formed as a special purpose entity on September 8, 2013, 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 NCB Capital Company.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization of Certified Public Accountants ("SOCPA") as per the requirements of the Capital Market Authority ("CMA"). These consolidated financial statements were approved by the Board of Directors on March 19, 2018.

b) Basis of measurement

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

c) Functional and presentation currency

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

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, 2017 (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.

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

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.

2. BASIS OF PREPARATION (continued)

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

(v) Useful lives of Property, equipment and software

The management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates. During the year, the Group revised the estimated useful life of software, from 4 years to 10 years, based on an operational efficiency review of these software. This change has been accounted for prospectively commencing April 1, 2017. The change has resulted in a reduction in monthly depreciation expense by SR 1.6 million.

(vi) 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.

(vii) 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.

(viii) 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 associate are represented by U.S Dollars and 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.

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 are 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:

	2017	2016
Leasehold improvements	5 years	5 years
Furniture and fixtures	10 years	10 years
Equipment	6 to 7 years	6 to 7 years
Software	10 years	4 years
Motor vehicles	5 years	5 years
Buildings and structures	40 years	40 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Property, equipment and software (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Business combinations and goodwill (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

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. This fair value is measured using discounted cash flow methodology. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value. 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.

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.

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, 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.

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.

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 rateably 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.

Income from Murabaha financing

Income from Murabaha financing is recognized on a time proportionate basis over the period of the contract based on the principal outstanding and the profit rate agreed with the customers.

p) Cash and cash equivalents

For the purpose of the consolidated 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) Murabaha financing

Murabaha financing represents receivable arising in connection with the purchase of shares by the Company at the request of customers and their subsequent sale / transfer to such customers at a price representing the purchase price plus profit agreed thereon. These receivables are initially recorded at the purchase price including related transaction costs, if any. The murabaha financing agreements are secured against public equities listed on the Saudi Arabian Stock Exchange.

Upon subsequent remeasurement, an allowance for credit losses is established in respect of murabaha financing when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms.

r) 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.

s) 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.

Expressed in Saudi Riyals '000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) 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.

u) 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.

v) 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 acquisition price 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.

w) 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.

x) Statutory reserve

In accordance with the Company's Bylaws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Group transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. The statutory reserve in the consolidated financial statements is the statutory reserve of the Group. This reserve currently is not available for distribution to the shareholders of the Group.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, include:

	2017	2016
Balances with banks	**149,960**	112,914
Cash in hand	**70**	118
	150,030	113,032

Expressed in Saudi Riyals '000

5. INVESTMENTS

Investments are classified as follows:

	2017	*2016*
(i) Held for Trading :		
- Investment Funds	**646,516**	708,201
- Unquoted hedge funds	**1,774**	1,777
- Real Estate fund	**3,777**	--
(ii) Held to Maturity:		
- Sukuk (see note "a" below)	**33,861**	20,044
- Murabaha placement	--	50,250
(iii) Available-for-sale:		
- Unquoted private equity funds, net	**51,011**	52,427
Total	**736,939**	832,699

a) This includes Company's investments in Sukuks carrying profit at commercial rates and with maturities upto 2026.

6. PREPAYMENTS AND OTHER ASSETS

	2017	*2016*
Accrued income:		
- Asset management	**102,413**	64,583
- Investment banking	**7,574**	8,778
- Securities and corporate savings	**9,246**	4,610
	119,233	77,971
Advance against purchase of investment	--	20,000
Staff loans (non-current portion of SR 5.56 million (2016:SR 8.82 million))	**10,248**	11,193
Trade receivables and other current assets	**4,125**	10,855
	133,606	120,019

7. INVESTMENT IN ASSOCIATES, NET

	Country of incorporation	**Effective ownership interest**	*2017*	*2016*
H.C Securities and Investment S.A.E	Arab Republic of Egypt	30.42%	**17,315**	21,151
Eastgate Global Carrying Vehicle L.P.	Cayman Islands	100%	**14,510**	4,045
			31,825	25,196

Expressed in Saudi Riyals '000

7. INVESTMENT IN ASSOCIATES, NET (continued)

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

	2017	2016
Opening balance at January 1,	**25,196**	25,221
Share of operating results	**11,984**	18,141
Share of other reserves (recognized directly in the associates' statement of changes in equity)	**(126)**	2,659
Dividends (Note 17 (d))	**(3,991)**	--
Exchange translation for the year	**(1,238)**	(20,825)
Closing balance at December 31,	**31,825**	25,196

Expressed in Saudi Riyals '000

8. PROPERTY, EQUIPMENT AND SOFTWARE

	2017				2016			
	Land, building and leasehold improvements	*Furniture, Equipment, software and vehicles*	*Capital work in progress*	*Total*	*Land, building and leasehold improvements*	*Furniture, Equipment, software and vehicles*	*Capital work in progress*	*Total*
Cost								
At January 1,	119,165	201,735	11,313	**332,213**	117,902	151,263	27,199	296,364
Additions	118	1,037	16,136	**17,291**	--	5,212	30,637	35,849
Transfers	582	19,400	(19,982)	--	1,263	45,260	(46,523)	--
Disposals and retirements	(392)	(1,007)	--	**(1,399)**	--	--	--	--
At December 31,	**119,473**	**221,165**	**7,467**	**348,105**	119,165	201,735	11,313	332,213
Accumulated depreciation								
At January 1,	38,243	120,980	--	**159,223**	36,489	87,909	--	124,398
Depreciation charge	1,515	18,379	--	**19,894**	1,754	33,071		34,825
Disposals and retirements	(392)	(1,003)	--	**(1,395)**	--	--	--	--
At December 31,	**39,366**	**138,356**	--	**177,722**	38,243	120,980	--	159,223
Net book value	**80,107**	**82,809**	**7,467**	**170,383**	80,922	80,755	11,313	172,990

Expressed in Saudi Riyals '000

9. DIVIDEND PAYABLE

The following table illustrates the movement in dividend payable:

Description	2017	2016
Balance at January 1,	**10,409**	372,405
Dividend declared during the year (note 'a' below)	**300,000**	300,000
Dividend paid to The National Commercial Bank	**(272,136)**	(634,985)
Dividend paid to employees with vested shares	**(3,742)**	(5,453)
Dividends paid during the year	**(275,878)**	(640,438)
Dividends on forfeited / unallocated shares	**(19,896)**	(21,558)
Balance at December 31,	**14,635**	10,409

a) The shareholders of the Company in their General Assembly Meeting held on December 25, 2017, approved a cash dividend SR 3 per share (2016: SR 3 per share) amounting to SR 300 million. This amount excludes dividends on unallocated shares, being held by the Company and not specifically allocated to employees under the Company's equity-settled employees' share base payments scheme.

10. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2017	2016
Staff related payables	**62,164**	52,758
Provision for Zakat (See note 'a' below)	**43,008**	34,208
Customer rebates and provision against operational errors	**17,427**	11,201
Accrued expenses and other payables	**87,578**	68,219
	210,177	166,386

a) 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, 2017 amounted to SR 34 million (December 31, 2016: SR 27.33 million).

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

	2017	2016
Non-current assets	**302,299**	279,973
Non-current liabilities	**61,818**	50,646
Opening shareholders' equity	**1,019,159**	1,099,224
Net income before zakat	**303,760**	247,366

Expressed in Saudi Riyals '000

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

Zakat liability

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

	2017	*2016*
Balance at January 1,	**34,208**	41,649
Charge for the year	**34,000**	27,330
Payments during the year	**(25,200)**	(34,771)
Balance at December 31,	**43,008**	34,208

The Company has filed all the Zakat declarations until the financial year ended December 31, 2016 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

	2017	*2016*
Employees' end of service benefits (see note 'a' below)	**52,332**	43,134
Savings plan and other employee benefits	**9,486**	7,512
	61,818	50,646

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

	2017	*2016*
Net liability at January 1,	**43,134**	51,537
Charge for the year	**7,817**	8,399
Re-measurement loss / (gain) on employees' end of service benefits	**4,762**	(7,890)
Benefits paid / reversal during the year	**(3,381)**	(8,912)
Net liability at December 31,	**52,332**	43,134

Expressed in Saudi Riyals '000

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:

Description	No. of shares held 2017	No. of shares held 2016	Percentage ownership held 2017	Percentage ownership held 2016
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	**6,632,635**	7,136,450	**6.63**	7.14
- Allocated to the employees (unvested)	**1,548,768**	1,308,967	**1.55**	1.31
- Allocated to the employees (vested)	**1,106,537**	842,523	**1.11**	0.84
	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 share based payment plan 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 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, 2017, under the LTIP amounted to SR 21.87 million (December 31, 2016: SR 16.47 million) and is included in 'salaries and employee related expenses' with a corresponding increase in the consolidated statement of changes in equity, as per 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:

		2017	
Description	**Unallocated**	**Allocated to the employees (unvested)**	**vested shares**
Opening number of shares	**7,136,450**	**1,308,967**	**842,523**
Shares granted under Long Term Incentive Plan	**(808,854)**	**808,854**	--
Shares vested / forfeited during the year	**(63,290)**	**(569,053)**	**632,343**
Buy back of vested shares by Baco - transfer to unallocated shares (note "d" below)	**368,329**	--	**(368,329)**
Closing number of shares	**6,632,635**	**1,548,768**	**1,106,537**

		2016	
Description	Unallocated	Allocated to the employees (unvested)	vested shares
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

b) During the year ended December 31, 2017, upon completion of vesting period under LTIP, rights of certain employees to receive 632,343 shares were vested. At December 31, 2017, NCBC has transferred the accumulated reserve in equity (in respect of vested shares) amounting to SR 18.10 million, from 'Equity-settled employees' share based payments scheme' to 'Retained earnings' of the Company. At December 31, 2017, NCBC has transferred the accumulated reserve in equity (in respect of vested shares) amounting to SR 151.24 million (2016: SR 133.14 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) 'Shares held under Employees Share Scheme' include the shares which were purchased by Baco from The National Commercial Bank ("the Bank" or "NCB" - Parent Company) and certain employees whose rights to receive shares had vested. The movement of 'Shares held under Employees' Share Scheme' for the period are detailed below:

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

Description	No. of shares	SR '000	Average price SR
Opening balance of 'Shares held under Employee's Share Scheme'	7,730,179	202,904	26.25
Shares purchased from employees during 2017 (see note "e" below)	368,329	10,794	29.30
Total	**8,098,508**	**213,698**	

e) During the year ended December 31, 2017, Baco has purchased 368,329 shares for a consideration of SR 10.79 million at an average exercise price of SR 29.3 per share, from some of the employees whose rights to receive shares have vested (2016: 712,997 shares for a consideration of SR 21.69 million at an average share price of SR 30.42 per share). At December 31, 2017, the balance of shares held under employees' share scheme is SR 213.70 million (2016: SR 202.90 million).

f) NCBC's employee share ownership plans are held through Baco and are managed by Elian Fiduciary Services ("Trustee"). In order to purchase the vested shares, the Company entered into an agreement dated April 16, 2013, with the Trustee, whereby NCBC has agreed to grant an interest free loan to the Trustee for the purchase of these shares.

As Baco is consolidated in these consolidated financial statements, the loan amount granted by NCBC to the Trustee has been eliminated upon consolidation.

14. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2017	*2016*
IT and communication expenses	**42,417**	39,232
Legal , consultancy and outsourced personnel cost	**28,000**	33,990
Sales incentive (note 17 (a))	**6,136**	3,074
Travel, marketing and promotional expenses	**9,509**	8,436
Directors remuneration (note 17 (b))	**2,806**	1,633
Others	17,340	13,143
	106,208	99,508

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.

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15. BASIC AND DILUTED EARNINGS PER SHARE (continued)

Weighted average number of ordinary shares are as follows:

	2017	2016
Issued ordinary shares	**100,000,000**	100,000,000
Effect of shares held by Baco (note 13(a))	**(6,632,635)**	(7,136,450)
Weighted average number of ordinary shares at December 31	**93,367,365**	92,863,550
Net income attributable to equity holders of the parent	**269,204**	213,166
Basic and diluted earnings per share (SR) – attributable to equity holders of the parent	**2.88**	2.30

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:

	2017	2016
Assets under management		
- Asset management division	**123,329,106**	114,632,213
- Securities division	**610,000**	506,828
Cash balances held under brokerage accounts	**5,390,565**	8,523,180
Total fiduciary assets	**129,329,671**	123,662,221

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:	2017	2016
Management and performance fee charged to the Bank	**7,774**	11,128
Investment banking fees charged to the Bank	**5,892**	--
Incentive expense charged by the Bank	**6,136**	3,074
IT related expenses charged by the Bank	**30,889**	25,760
Sale of investments	--	154,494
Consolidated balance sheet:		
Balances with the Bank	**55,435**	31,667
Amount due to the Bank	**8,261**	17,336
Assets held in a fiduciary capacity:		
Bank's assets under management	**4,393,397**	2,239,362

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17. RELATED PARTY TRANSACTIONS (continued)

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:

	2017	*2016*
Consolidated statement of income:		
Short term benefits	**39,406**	36,193
Directors remuneration	**2,806**	1,633
Consolidated balance sheet:		
End-of-service benefits	**9,224**	6,892
Loans and advances – interest free	**1,811**	1,742

(c) Funds managed by the Group

	2017	*2016*
Consolidated statement of income:		
Management fee earned on funds managed by the Group	258,686	209,576
Performance and transaction fee earned on funds managed by the Group	4,453	--
Consolidated balance sheet:		
Advance against purchase of investment	--	20,000
Investment in mutual funds managed by the Group (note 5 (i))	654,988	708,201
	10,068	3,011

d) Transactions with Group's associates:

	2017	*2016*
Consolidated Statement of Financial Position:		
Dividend receivable from H.C Securities and Investment S.A.E	3,991	--
Due to Eastgate Global Carry Vehicle L.P.	11,595	692

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)

	2017				
Description	**Securities**	**Investment Banking**	**Asset & wealth Management**	**NCB Capital Dubai Inc.**	**Total**
Total operating income	149,921	32,272	451,661	14,463	**648,317**
Total operating expenses	136,541	24,272	180,482	15,380	**356,675**
Net operating income	13,380	8,000	271,179	(917)	**291,642**
Non-operating income	--	--	1,653	10,465	**12,118**
Net income (before zakat and non-controlling interest)	13,380	8,000	272,832	9,548	**303,760**
Reportable segment assets and liabilities					
Total assets	185,963	23,116	1,026,048	66,233	**1,301,360**
Total liabilities	112,788	20,329	135,315	26,459	**294,891**

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18. SEGMENT INFORMATION (continued)

	2016				
Description	Securities	Investment Banking	Asset & wealth Management	NCB Capital Dubai Inc.	Total
Total operating income	197,776	30,149	324,680	29,531	582,136
Total operating expenses	134,643	26,977	176,844	16,483	354,947
Net operating income	63,133	3,172	147,836	13,048	227,189
Non-operating income	--	--	15,427	4,750	20,177
Net income (before non-controlling interest)	63,133	3,172	163,263	17,798	247,366
Reportable segment assets and liabilities					
Total assets	148,311	22,609	1,046,538	46,478	1,263,936
Total liabilities	97,124	19,030	112,305	16,318	244,777

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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:

	2017					
	Kingdom of Saudi Arabia	United Arab Emirates	Egypt	North America	Other regions	Total
Cash and cash equivalents	55,690	38,815	-	2,082	53,443	150,030
Murabaha financing	78,577	--	--	--	--	78,577
Investments	680,359	--	--	56,580	--	736,939
Prepayments and other assets	115,089	18,517	--	--	--	133,606
Investment in associates		14,510	17,315	--	--	31,825
Property, equipment and software	170,383	--	--	--	--	170,383
Total Assets	**1,100,098**	**71,842**	**17,315**	**58,662**	**53,443**	**1,301,360**
Dividend payable	14,635	--	--	--	--	14,635
Amount due to The National Commercial Bank	8,261	--	--	--	--	8,261
Accounts payable, accruals and other liabilities	183,528	26,458	--	--	191	210,177
Employee benefits	61,818	--	--	--	--	61,818
Total Liabilities	**268,242**	**26,458**	**--**	**--**	191	294,891

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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	United Arab Emirates	Egypt	North America	Other regions	Total
Cash and cash equivalents	33,893	34,990	--	4,190	39,959	113,032
Investments	778,495	--	--	54,204	--	832,699
Prepayments and other assets	113,844	6,175	--	--	--	120,019
Investment in associates, net	--	4,045	21,151	--		25,196
Property, equipment and software	172,990	--		--	--	172,990
Total Assets	1,099,222	45,210	21,151	58,394	39,959	1,263,936
Dividend payable	10,409	--	--	--	--	10,409
Amount due to The National Commercial Bank	17,336	--	--	--	--	17,336
Accounts payable, accruals and other liabilities	149,955	16,319	--	--	112	166,386
Employee benefits	50,646	--	--	--	--	50,646
Total Liabilities	228,346	16,319	--	--	112	244,777

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19. CONTINGENCIES AND COMMITMENTS

Following are the details of the Group's commitments and contingencies as at December 31, 2017:

Commitments

a) Commitments in respect of private equity investments future capital calls totaling SR 1.57 million (2016: SR 2.72 million).

b) Commitments amounting to 2.4 million (2016: SR 3.8 million) for the acquisition of IT software.

c) Commitments in respect of leased properties with following future payments over their non-cancellable lease periods:

	2017	2016
Within 12 months	**1,197**	1,841
1-5 years	**1,829**	2,809
	3,026	4,650

Contingencies

a) The Group has received certain operational error claims from its customers subsisting at December 31, 2017, against which management has made provision of SR 11.7 million (2016: 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 (a).

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:

	2017	2016
Assets		
Balances with banks (note 4)	**149,960**	112,914
Held to maturity investments (note 5 (ii))	**33,861**	70,294
Murabaha financing	**78,577**	--
Other assets	**132,543**	97,725
	394,941	280,933

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 investment 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, 2016: 10%) change in these funds' net asset values would have increased or decreased the net income by SR 65 million (December 31, 2016: SR 71 million).

b) Available for sale investments

The Group has unquoted investments in private equity funds carried at net asset value as reported by the funds' 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 5.1 million (December 31, 2016: SR 5.2 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:

20. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

	2017 Long / (short)	2016 Long / (short)
US Dollars (USD)	**167,466**	92,667
Egyptian Pounds (EGP)	**17,315**	21,151
Pound Sterling (GBP)	**861**	765
Euro (EUR)	**1,265**	1,578
Bahrain Dinar (BHD)	**(5,884)**	(6,437)

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, 2017 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.

	2017					
	Decrease in currency rate in %	**Effect on net profit SR '000**	**Effect on Other Reserve SR '000**	**Increase in currency rate in %**	**Effect on net profit SR '000**	**Effect on Other Reserve SR '000**
Pound Sterling (GBP)	**15%**	(129)	--	**15%**	129	--
Euro (EUR)	**15%**	(190)	--	**15%**	190	--
Egyptian Pounds (EGP)	**15%**	--	(2,597)	**15%**	--	2,597

d) Currency risk

	2016					
	Decrease in currency rate in %	Effect on net profit SR '000	Effect on Other Reserve SR '000	Increase in currency rate in %	Effect on net profit SR '000	Effect on Other 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

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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, 2017 and December 31, 2016 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.

	2017					
Financial liabilities	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Amount due to The National Commercial Bank	--	8,261	--	--	--	**8,261**
Dividend payable	--	--	14,635	--	--	**14,635**
Accounts payable, accruals and other liabilities	14,712	117,727		--	--	**132,439**
Total undiscounted financial liabilities	**14,712**	**125,988**	**14,635**	--	--	**155,335**

	2016					
Financial liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Amount due to The National Commercial Bank	--	17,336	--	--	--	17,336
Dividend payable	--	--	10,409	--	--	10,409
Accounts payable, accruals and other liabilities	11,454	93,565	--	--	--	105,019
Total undiscounted financial liabilities	11,454	110,901	10,409	--	--	132,764

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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.

	2017	*2016*
Capital base:		
Tier I capital	**917,506**	931,633
Tier II capital	--	--
Total	**917,506**	931,633
Minimum capital requirement:		
Credit Risks	**200,167**	185,870
Market Risks	**133,720**	162,937
Operational Risks	**95,501**	100,520
Total	**429,388**	449,327
Surplus in Capital	**488,118**	482,306
Total capital ratio	**2.14**	2.07