

SAUDI FRANSI CAPITAL COMPANY
(A Limited Liability Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2016 TO DECEMBER 27, 2016
AND INDEPENDENT AUDITORS' REPORT

**SAUDI FRANSI CAPITAL COMPANY
(A Limited Liability Company)**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 2016 TO DECEMBER 27, 2016**

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INDEPENDENT AUDITORS' REPORT

March 15, 2017

To the Shareholders of Saudi Fransi Capital Company
(A Limited Liability Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Saudi Fransi Capital Company (the "Company") and its subsidiary (collectively referred to as the 'Group') as of December 27, 2016 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the period from January 1, 2016 to December 27, 2016 (see note 1), and the notes from (1) to (21) which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Group as of December 27, 2016 and the results of its operations and its cash flows for the period from January 1, 2016 to December 27, 2016 in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of consolidated financial statements.

Emphasis of matter

We draw attention to note 1 to the accompanying consolidated financial statements, which explains that the Company was converted from a limited liability company to a closed joint stock company effective Rabi Al-Awwal 29, 1438H (corresponding to December 28, 2016). Accordingly, the accompanying consolidated financial statements have been prepared as of and for the period ended December 27, 2016.

PricewaterhouseCoopers

By: _____

Omar M. Al Sagga
License Number 369

SAUDI FRANSI CAPITAL COMPANY
(A Limited Liability Company)
Consolidated balance sheet
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	As at December 27, 2016	As at December 31, 2015
Assets			
Current assets			
Cash and bank balances	5	1,073,246,624	973,545,634
Investments	6	9,195,473	29,823,343
Receivables against margin / murabaha financing	7	992,428,216	1,467,260,465
Advances awaiting investment	8	-	804,222
Prepayments and other receivables - net	10	30,991,445	29,171,583
Security deposits		162,297	184,465
Advance income tax		7,471,356	9,005,044
Total current assets		2,113,495,411	2,509,794,756
Non-current assets			
Fixed assets	11	12,466,718	13,562,124
Intangible assets	12	3,715,856	407,536
Security deposits		20,426	20,426
Investments	6	25,000	10,025,000
Loans to employees	13	23,430,582	26,400,349
Total non-current assets		39,658,582	50,415,435
Total assets		2,153,153,993	2,560,210,191
Liabilities			
Current liabilities			
Accrued and other liabilities	14	14,295,641	21,100,295
Short-term borrowings	15	894,916,808	1,369,171,830
Deferred income		3,966,499	14,097,135
Zakat and income tax provisions	16.2 & 16.3	26,491,535	27,037,220
Total current liabilities		939,670,483	1,431,406,480
Non-current liabilities			
Employee termination benefits	17	32,503,975	25,800,665
Total non-current liabilities		32,503,975	25,800,665
Total liabilities		972,174,458	1,457,207,145
Shareholders' equity			
Share capital	1	500,000,000	500,000,000
Statutory reserve		96,121,208	86,136,520
Retained earnings		584,446,988	521,168,892
Fair value reserve - available-for-sale investments	6 (b)	411,339	(4,302,366)
Total shareholders' equity		1,180,979,535	1,103,003,046
Total liabilities and shareholders' equity		2,153,153,993	2,560,210,191
Contingencies and commitments	19		

The accompanying notes on pages 7 to 21 form an integral part of these consolidated financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Limited Liability Company)
Consolidated statement of income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the period from January 1, to December 27, 2016	For the year ended December 31, 2015
Operating income			
Income from brokerage services - net		87,016,082	123,911,823
Income from asset management services - net		117,950,027	128,651,007
Income from investment banking services - net		28,161,200	15,720,001
Income from margin / murabaha financing services		45,785,483	57,072,149
Realized (loss) / gain on disposal of available-for-sale investments - net		(5,715,085)	216,158
Unrealized loss on available-for-sale investments transferred to statement of income on disposal		(4,302,366)	(2,523,631)
Realized loss on redemption of held for trading investments - net		-	(123,366)
Dividend income		87,979	54,201
Custody services related fees		3,169,892	2,047,645
Total operating income		272,153,212	325,025,987
Operating expenses			
Salaries and employee related benefits		(132,354,494)	(140,100,293)
General and administrative expenses	18	(40,026,230)	(57,386,011)
Marketing expense		(781,240)	(3,528,748)
Total operating expenses		(173,161,964)	(201,015,052)
Income from operations		98,991,248	124,010,935
Other income / (expenses)			
Interest expense on short-term borrowings		(20,476,856)	(14,531,363)
Special commission income		21,325,735	7,112,333
Others		6,754	538,076
Net income for the period / year		99,846,881	117,129,981

The accompanying notes on pages 7 to 21 form an integral part of these consolidated financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Limited Liability Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the period from January 1, to December 27, 2016	For the year ended December 31, 2015
Cash flow from operating activities			
Net income for the period / year		99,846,881	117,129,981
Adjustments for non-cash charges and other items			
Realized loss/ (gain) on disposal of available-for-sale investments		5,715,085	(216,158)
Unrealized loss on available-for-sale investments transferred to statement of income on disposal		4,302,366	2,523,631
Realized loss on redemption of held for trading investments		-	123,366
Depreciation	11, 18	4,287,196	4,834,395
Amortization	12, 18	1,314,534	4,301,096
Provision for employee termination benefits	17	7,900,619	6,274,277
Provision for doubtful receivables and others	18	49,600	709,937
Fixed assets written off		2,333,566	-
Changes in working capital			
Receivable against margin financing / murabaha		474,832,249	451,110,772
Advances awaiting investment		804,222	7,055,319
Prepayments and other receivables		(1,869,462)	2,888,868
Advance income tax		1,533,688	(3,727,619)
Loans to employees		2,969,767	(993,780)
Accrued and other liabilities		(6,804,654)	1,864,384
Deferred income		(10,130,636)	7,107,940
Held for trading investments, net		-	8,920,406
Employee termination benefits paid	17	461,335,174	474,226,290
Cash received from Bank - employee termination benefits	17	(1,204,179)	(2,529,346)
Zakat and income tax paid	16.2, 16.3	6,870	44,216
Zakat and income tax paid	16.2, 16.3	(27,129,782)	(27,579,906)
Net cash generated from operating activities		558,757,930	579,841,779
Cash flow from investing activities			
Additions to fixed assets, net	11	(5,512,698)	(3,714,609)
Additions and transfers to intangible assets	12	(4,635,512)	(123,917)
Proceeds from disposal of fixed assets	17.1	-	120,000
Security deposit, net		22,168	(204,891)
Purchase of fixed deposit	6(c)	(7,045)	(1,125,689)
Purchase of available-for-sale investments	6(b)	(482,526)	(4,994,950)
Proceeds from sale of available-for-sale investments		25,813,695	22,945,551
Net cash generated from investing activities		15,198,082	12,901,495
Cash flow from financing activity			
Short-term borrowings		(474,255,022)	(422,414,683)
Net cash utilized in financing activity		(474,255,022)	(422,414,683)
Net change in cash and bank balances			
Cash and bank balances at the beginning of the period / year		99,700,990	170,328,591
		973,545,634	803,217,043
Cash and bank balances at the end of the period / year			
	5	1,073,246,624	973,545,634

The accompanying notes on pages 7 to 21 form an integral part of these consolidated financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Limited Liability Company)
Consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Share capital	Statutory reserve	Retaining earnings	Fair value reserve - available-for-sale investments	Total
January 1, 2016		500,000,000	86,136,520	521,168,892	(4,302,366)	1,103,003,046
Net income for the period		-	-	99,846,881	-	99,846,881
Net changes in fair value less realized gain / (loss) on available-for-sale investments	6 (b)	-	-	-	4,713,705	4,713,705
Transfer to statutory reserve		-	9,984,688	(9,984,688)	-	-
Provision for zakat and income tax - net	16.2 & 16.3	-	-	(26,584,097)	-	(26,584,097)
December 27, 2016		500,000,000	96,121,208	584,446,988	411,339	1,180,979,535
January 1, 2015		500,000,000	74,423,522	442,663,800	(167,666)	1,016,919,656
Net income for the year		-	-	117,129,981	-	117,129,981
Net changes in fair value less realized gain / (loss) on available-for-sale investments	6 (b)	-	-	-	(4,134,700)	(4,134,700)
Transfer to statutory reserve		-	11,712,998	(11,712,998)	-	-
Provision for zakat and income tax - net	16.2 & 16.3	-	-	(26,911,891)	-	(26,911,891)
December 31, 2015		500,000,000	86,136,520	521,168,892	(4,302,366)	1,103,003,046

The accompanying notes on pages 7 to 21 form an integral part of these consolidated financial statements.

SAUDI FRANSI CAPITAL COMPANY
(A Limited Liability Company)
Notes to the consolidated financial statements
For the period from January 1, 2016 to December 27, 2016
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Saudi Fransi Capital Company (the "Company") Company is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 1010231217 issued in Riyadh on Rabi-Awal 26, 1428H (corresponding to April 14, 2007). The registered address of the Company is P.O. Box 23454, Riyadh 11426, Kingdom of Saudi Arabia. The Company is 100% (2015: 100%) owned by Banque Saudi Fransi (the "Bank").

These consolidated financial statements comprise the financial statements of the Company and its subsidiary Saudi Fransi Capital International Limited (SFCIL) (collectively referred to as "the Group").

The Company obtained CMA license number 07052-05 on Muharam 19, 1428H (corresponding to February 7, 2007), and obtained the commencement letter from CMA on Muharam 4, 1429H (corresponding to January 13, 2008).

The Company was converted from a limited liability company to a closed joint stock company on Rabi Al-Awwal 29, 1438H (corresponding to December 28, 2016) which is the date of new commercial registration. As per revised articles of association of the Company, the Company's first fiscal period under legal statues of a closed joint stock company will be from the date of commercial registration as Joint Stock Company i.e. December 28, 2016 and shall end on December 31 of the following year i.e. December 31, 2017. The Company's statutory financial statements for the subsequent years will be prepared from January 1 and end at the end of December of each Gregorian year. These financial statements are for the period from January 1, 2016, to December 27, 2016, and reflect the Company's last fiscal period as a limited liability company.

SFCIL ("the subsidiary") was incorporated as a limited liability company in Dubai International Financial Centre under commercial registration no. 1779 dated 22 Rabi Al-Thani 1436H (corresponding to February 11, 2015) issued by Dubai Financial Services Authority, with a total share capital of USD 500,000 which is 100% held by the Company. SFCIL was granted a "Category 4" license on 24 May 2015 by the Dubai Financial Services Authority (DFSA). The principal activities of SFCIL include providing services to the Company relating to arranging credit or deals in investments and advising on financial products or credit. The accompanying consolidated financial statements include the financial statements of the Company and its subsidiary SFCIL. During the year, the shareholders of the Company resolved to liquidate the SFCIL ("the subsidiary") with the surplus funds after the payment of all outstanding liabilities of SFCIL to be remitted to the Company. The process for liquidation was not completed as of the date of these financial statements.

During the year ended December 31, 2010, the management of the Bank resolved to merge CAAM Saudi Fransi Company Limited and Calyon Saudi Fransi Limited (together "the Merged Companies") into Fransi Tadawul Company and change its name to Saudi Fransi Capital Company. The CMA Board of Commissioners issued a resolution dated 26 Safar 1432H (corresponding to January 30, 2011) (the merger date) approving the merger of the associated companies into the Company, change of its name, increase in paid-up share capital to Saudi Riyals 500 million, amending its licensed activities with immediate commencement of its activities under new license number 11153-37.

The licensed activities are to act as a principal, underwriter and agent to provide dealing of securities, managing, arranging, advisory, and custody services for securities activities. In the ordinary course of its business, the Company provides brokerage services in Saudi stock exchange and international stock exchanges, establishment and management of mutual funds and portfolio management, underwriting, arranging, advisory, margin financing, murabaha, custody services and equity swap facilities.

These consolidated financial statements were approved by the Board of Directors on March 13, 2017.

The Company's ownership structure is set out below:

Shareholders	Country of origin	2016		2015	
		Number of shares	Share capital	Number of shares	Share capital
Banque Saudi Fransi	Saudi Arabia	500,000	500,000,000	500,000	500,000,000
Total		500,000	500,000,000	500,000	500,000,000

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2 Basis of preparation

2.1 Statement of compliance

The accompanying consolidated financial statements have been prepared under the historical cost convention (except for certain investments which have been measured at fair value) on the accrual basis of accounting and the going concern concept and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants ("SOCPA") as appropriate to the circumstances of the Group.

SOCPA Board of Directors in their meeting held on Thursday, 10 Ramadan 1434H (corresponding to July 18, 2013), agreed to apply the International Financial Reporting Standards (IFRSs), after being approved by SOCPA, all at once. The earliest date for application for all entities (other than listed entities) is for financial periods starting on January 1, 2018. In this regard the Company has hired consultants to support the Company with respect to the IFRS conversion process.

2.2 Basis of measurement

The consolidated financial statements comprise the financial statements of the Group, as adjusted for the elimination of significant inter-company balances and transactions.

A subsidiary is an entity in which the Company has a direct or indirect equity investment of more than 50% or over which it exerts effective management control. The financial statements of the subsidiary are prepared using accounting policies which are consistent with those of the Company. The subsidiaries are consolidated from the date on which the Company is able to exercise effective management control and deconsolidated from the date the Company loses its effective management control.

The subsidiary consolidated in these consolidated financial statements is Saudi Fransi Capital International Limited which is 100% owned by the Company and is incorporated in Dubai.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional currency of the Company.

2.4 Use of estimates and judgments

The preparation of financial statements require management to make judgment, 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 prospectively i.e. the period in which the estimates are revised and in future periods.

2.5 Fiscal year

The Group's fiscal year begins on January 1 and ends on December 31 of each Gregorian year. Also see note (1).

3 Significant accounting policies

The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Cash and bank balances

Cash and bank balances include cash in hand and with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date.

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3.2 Investments

Held for trading investments

Investments in readily marketable securities which are bought for trading purposes are stated at market value and included under current assets. Realized and unrealized gains or losses on these investments are recognised in the statement of income. Fair value is determined by reference to market value.

Where partial holdings are sold, the investments sold are accounted for on a weighted average basis.

Available-for-sale investments

Available-for-sale investments principally consist of investments in quoted equities, mutual funds and un-quoted equity. These are the investments that are either designated as available-for-sale or are not classified in any of the other categories. These investments are included in non-current assets unless management intends to sell such investments within twelve months from the balance sheet date. These investments are initially recognized at cost and are subsequently re-measured at fair value at each reporting date as follows:

- (i) Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments; and
- (ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows. If no similar quoted investment securities are available then these are carried at cost.

Cumulative adjustments arising from revaluation of these investments are reported as separate component of equity as fair value reserve until the investment is disposed of.

Held-to-maturity investments

These are investments in securities that the Group has the positive intent and ability to hold till maturity. These investments are carried in the balance sheet at cost, as adjusted by the premium or discount.

3.3 Receivables

Receivables are carried at original invoice amount less provision for doubtful debts. A provision against doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables or when the receivable is outstanding for more than one year. Such provisions are charged to the statement of income and reported under "General and administrative expenses". When a receivable is uncollectible, it is written-off against the provision for doubtful receivables. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the statement of income.

3.4 Fixed assets

Fixed assets are recorded at cost net of accumulated depreciation and accumulated impairment. Tangible assets are depreciated over the following estimated useful lives using the straight line method.

Leasehold improvements	5 to 10 Years
Furniture and office equipment	4 to 10 Years
Motor vehicles	4 Years

Expenditure subsequent to initial recognition is capitalized only when it increases future economic benefits embodied in the items of fixed assets. All other expenditure including routine repair and maintenance costs are expensed out as and when incurred.

Full month depreciation is charged in the month of addition while no depreciation is charged in the month of disposal.

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

Capital work in progress is carried at cost less accumulated impairment, if any.

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3.5 Intangible assets

Intangible assets are recorded at cost net of accumulated amortization. These costs are amortized over 3 years. Amortization is charged to the statement of income on a straight-line basis. The intangible assets mainly comprise of computer software.

3.6 Impairment of financial assets

Financial 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.

3.7 Payable and accruals

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

3.8 Provisions

Provisions are recognized when a reliable estimate can be made by the Group to a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation.

3.9 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the statement of income.

3.10 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Articles of Association of the Company, 10% of the net income is transferred to statutory reserve until the said reserve equals 30% (2015: 50%) of the share capital of the Company. This reserve is not currently available for distribution.

3.11 Zakat and income tax

Zakat and income tax, computed in accordance with Saudi Arabian fiscal regulations, are accrued and charged to the retained earnings. The shareholders reimburse zakat and income tax from the proceeds of the future dividends, accordingly; no adjustments are made in the consolidated financial statements to account for the effects of deferred income taxes.

Under Saudi Arabian zakat and income tax laws, zakat and income taxes are the liabilities of Saudi and foreign shareholders respectively. Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the zakat regulations (net adjusted income). Income taxes are computed on the foreign shareholders' share of taxable income for the year.

3.12 Employee termination benefits

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

3.13 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The carrying value of all financial assets and financial liabilities reflected in the financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at the balance sheet date.

SAUDI FRANSI CAPITAL COMPANY
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3.14 Foreign currency transactions

Transactions and balances

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates prevailing at the dates of the respective transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Arabian Riyal at exchange rates prevailing on that date. Gains and losses resulting from changes in exchange rates are recognized in the statement of income.

Group companies

The results and financial position of a foreign subsidiary having reporting currency other than Saudi Riyals is translated into Saudi Riyals as follows:

- (i) assets and liabilities for balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (ii) income and expenses for the statement of income are translated at average exchange rates; and
- (iii) components of the equity accounts are translated at the exchange rates in effect at the dates of the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of a foreign subsidiary into Saudi Riyals are reported as a separate component of equity.

When investment in a foreign subsidiary is partially disposed off or sold, currency translation differences that were recorded in equity are recognized in income as part of gain or loss on disposal or sale.

3.15 Revenues

Brokerage commission is recognized when the deal is executed. Brokerage commission on local shares is recognized net of Tadawul commission and rebates allowed to the customers.

Fee from managing assets (including mutual funds) is recognised when the services have been rendered. Subscription fee is recognised upon subscription to the fund. These fees are recognised net of related expenses.

Fee from investment banking services is recognized when the related services have been rendered net of related expenses.

Underwriting fees are recognized when the Company has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.

Income from margin financing facilities is recognized on a time proportionate basis taking account of the principal outstanding and the rate applicable.

Income from murabaha is received upfront and amortised through the life of the Murabaha (deferred income). Special commission income is recognized on effective yield basis.

Custody fee is received upfront and amortised over the period of the service (deferred income).

Dividend from investments is recognised when earned or publically declared by the investee.

3.16 Expenses

Marketing expenses are those arising from the Group's efforts underlying the advertising activities. All other expenses, excluding direct costs are classified as general and administration expenses.

3.17 Operating leases

Lease of fixed assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Rental expenses under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

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3.18 Assets held under fiduciary capacity

Assets held under fiduciary capacity are not treated as assets of the Group and are accordingly treated as off-balance sheet items.

3.19 Reclassifications

Corresponding figures have been re-arranged or reclassified, wherever necessary for the purpose of better presentation and comparison.

4 Financial instruments and risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value risk, and commission rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivable against margin / murabaha financing, due from related parties, advance awaiting investment, other receivables, due to related parties, loans to employees, short-term borrowings and accrued interest and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and financial liabilities are offset and net amounts are reported in the financial statements, when the Group has a legally enforceable right to off-set the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Group's transactions are principally carried out in Saudi Riyals but it is exposed to currency risk on transactions involving foreign currencies. Exposure on amounts payables in foreign currency will be limited as the payments are generally settled within a month, further, at present majority of foreign currency exposure is in US Dollar which is pegged to Saudi Riyal. Accordingly, the Group has limited exposure to currency risk.

4.2 Fair value risk

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments are compiled under the historical cost convention (except investments carried at fair value), differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values unless specified.

4.3 Commission rate risk

Commission rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing commission rates on the Group's financial positions and cash flows. The Group's commission rate risks arise mainly from its margin / murabaha lending facilities, short-term borrowings and deposits with the Bank. Majority of Company's lending and borrowings are at floating rate of commission and positions are matched thus not materially affected by fluctuations in market commission rates. Deposits with the Bank will be positively or negatively affected by increase or decrease in market interest rates.

4.4 Price risk

Price risk (or Market Risk) is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. All investments of the Group in financial instruments are subject to acceptance based on approved policies & procedures and regular risk reviews. In case of Proprietary Investments, proposed investments are subject to thorough reviews and recommendation by a dedicated Investment Committee. Management believes that the variations in fair value of the financial instruments due to changes in market prices are not material for the group.

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4.5 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. For the Group, the financial assets which are potentially subject to credit risk consist principally of cash at bank and lending facilities for margin trading. Cash is placed with a local bank having sound credit ratings. Major portion of lending for margin trading is generally done with an initial coverage ratio in excess of 200%. This coverage is actively monitored and margin calls and liquidations are performed at specific predefined thresholds to ensure that the margin lending is sufficiently collateralized at all times; hence the credit risk is minimized.

4.6 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet financial commitments. Liquidity risk may also result from the inability to sell a financial asset quickly at an amount close to its fair value. All liabilities on the Group's balance sheet, other than employee termination benefits, are payable on a current basis. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any current and future financial commitments as and when they fall due.

The following analyses the Group's financial liabilities into relevant maturity groupings based on the remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 2 and 5 years	Over 5 years	Total
2016				
Accrued and other liabilities	14,295,641	-	-	14,295,641
Short-term borrowings	894,916,808	-	-	894,916,808
2015				
Accrued and other liabilities	21,100,295	-	-	21,100,295
Short-term borrowings	1,369,171,830	-	-	1,369,171,830

5 Cash and bank balances

	As at December 27, 2016	As at December 31, 2015
Cash in hand	19,123	10,559
Cash at bank - current accounts (see note 5.1)	1,073,227,501	973,535,075
	1,073,246,624	973,545,634

5.1 This represents account maintained with the Bank. At December 27, 2016, the Bank had "A-2" rating as per Standard and Poor's (S&P). SAR denominated balances are earning special commission income which is linked to Saudi Arabia Inter Bank Offer Rate (SAIBOR).

6 Investments

	As at December 27, 2016	As at December 31, 2015
Current		
Held for trading investments (a)	-	-
Available-for-sale investments (b)	8,062,739	28,697,654
Held-to-maturity investments	1,132,734	1,125,689
	9,195,473	29,823,343
Non-current		
Available-for-sale investments (b)	25,000	25,000
Held-to-maturity investments (c)	-	10,000,000
	25,000	10,025,000
	9,220,473	39,848,343

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(a) Held for trading investments

	As at December 27, 2016	As at December 31, 2015
Balance at the beginning of the period / year	-	8,920,406
Purchased during the period / year	-	7,592,090
Redemption of investments during the period / year	-	(16,512,496)
Unrealised loss on revaluation	-	-
	<hr/>	<hr/>
Balance at the end of the period / year	-	-

(b) Available-for-sale investments

	As at December 27, 2016	As at December 31, 2015
Current		
Balance at the beginning of the period / year	28,697,654	53,213,794
Reclassified from held to maturity investment (HTM) (i)	10,000,000	-
Purchased during the period / year	482,526	4,994,950
Disposal of investments during the period / year	(33,482,536)	(27,732,355)
Disposal of reclassified HTM	(2,348,610)	-
Unrealised loss transferred to statement of income on disposal	4,302,366	2,523,631
Fair value reserve	411,339	(4,302,366)
	<hr/>	<hr/>
Balance at the end of the period / year	8,062,739	28,697,654
Non-current		
Balance at the beginning of the period/ year (ii)	25,000	25,000
Acquired during the period / year	-	-
Fair value reserve (iii)	-	-
	<hr/>	<hr/>
Balance at the end of the period / year	25,000	25,000

(i) This represents investment in Saudi Fransi Real Estate Fund managed by the Company which is a closed ended mutual fund managed by the Company. At December 27, 2016 the market value of this investment amounted to Saudi Riyals 8.063 million (December 31, 2015: Saudi Riyals 10.375 million). During the period, the fund manager decided to execute a partial distribution to all investors along with the related gains. The capital distributed Saudi Riyals 2.436 million including a gain of Saudi Riyals 0.0879 million. The remaining investment was re-classified to available for sale investment.

(ii) This represents investment in Sakan Company for Real Estate Finance (an associated company - related party) which is an unquoted company.

(iii) The unlisted available-for-sale security amounting to Saudi Riyals 0.025 million (December 31, 2015: Saudi Riyals 0.025 million) is stated at cost in the absence of active markets or other means of reliably measuring fair value.

(c) Held-to-maturity investments

	As at December 27, 2016	As at December 31, 2015
Mutual fund units	-	10,000,000
Fixed deposit with bank (i)	1,132,734	1,125,689
	<hr/>	<hr/>
	1,132,734	11,125,689

(i) The fixed deposit with National Bank of Abu Dhabi was placed by SFCIL during 2015 and is earning special commission income at a fixed rate. The maturity date of the fixed deposit is May 2017.

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7 Receivables against margin financing / murabaha

The Company extends margin financing facilities to its customers to invest in the Saudi Stock Exchange, international stock exchanges and investment funds. These facilities are extended up to a maximum period of one year and bear a floating special commission rate based on SAIBOR plus a credit margin except for murabaha facilities which are at fixed rates.

Certain directors of the Company and their affiliates have been granted margin financing facilities with authorized limits aggregating to Saudi Riyals 67.5 million (December 31, 2015: Nil). Their outstanding balances as at period end was Nil (December 31, 2015: Nil).

8 Advances awaiting investment

This represented amount transferred by the Company to its Private Investment Account, for the purpose of making investment in held for trading and available-for-sale investments. The related funds in respect of private investments are maintained in a bank account with the Bank. The Capital Markets Division of the Company is responsible for making investment of these funds.

9 Related party matters

9.1 Related party transactions

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarized below:

	For the period from January 1, to December 27, 2016	For the period from January 1, to December 31, 2015
Banque Saudi Fransi (shareholder):		
Expenses incurred on behalf of the Company	1,330,187	2,719,657
Expenses incurred under Service Level Agreements ("SLA") 9.1.1	16,507,128	15,504,966
Commodity traders fees paid	398,966	240,084
Custody fee earned	400,000	400,000
Special commission income on deposits	21,325,735	6,798,963
Income from brokerage services	254,625	1,648,517
Commission expense on short-term borrowing	20,476,856	14,531,363
Allianz Saudi Fransi (associate):		
Management fee	1,280,469	902,146
Contribution and fees paid on account of staff saving plan	1,390,200	1,364,087
Directors, other shareholders and their affiliates:		
Financial advisory fees paid to Credit Agricole Corporate and Investment Bank (CA-CIB)	-	2,430,000
Commission income on sukkuk agency and payment administration with Saudi Telecom Company (STC)	220,000	220,000
Company's contribution paid to General Organization for Social Insurance (GOSI)	5,373,059	5,508,206
Board of Directors related expenses	1,240,817	1,308,000
Subscription fee earned	80,150	80,000
Special commission income on margin financing / murabaha facilities extended	114,032	177,131
Income from brokerage services	5,061	426,514

9.1.1 The Company has entered into Service Level Agreements ("SLA") with the Bank for providing various services. Significant outsourced services include information technology, system security, premises, and certain other services.

9.2 Related party balances

Related party balances are disclosed in the respective notes.

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10 Prepayments and other receivables - net

	Note	As at December 27, 2016	As at December 31, 2015
Receivable from customers and third party funds		11,613,496	8,881,546
Receivable from mutual funds	10.2	5,539,837	8,162,086
Prepayments		3,811,112	4,638,693
Advances to employees		5,160,498	5,245,759
Insurance receivable		3,620,235	3,620,235
Current portion of loans to employees	13	1,806,924	1,856,574
Other receivables	10.1	4,218,224	1,710,175
Total prepayments and other receivables - gross		35,770,326	34,115,068
Provision for doubtful receivables:			
- Receivable from customers		(1,158,646)	(1,323,250)
- Insurance receivable		(3,620,235)	(3,620,235)
	10.3	(4,778,881)	(4,943,485)
Prepayments and other receivables - net		30,991,445	29,171,583

10.1 This includes an amount of Saudi Riyals 0.053 million (December 31, 2015: Saudi Riyals 0.053 million) receivable from GOSI (an associated company - related party).

10.2 This represents amounts receivable from the managed mutual funds (related parties) against management fee and expenses paid on their behalf.

10.3 Provision for doubtful receivables

	As at December 27, 2016	As at December 31, 2015
Balance at the beginning of the period / year	4,943,485	4,233,548
Charge for the period / year	49,600	709,937
Write offs	(214,204)	-
Closing balance at the end of the period / year	4,778,881	4,943,485

11 Fixed assets - net

2016	Leasehold improvements	Furniture and office equipment	Motor vehicles	Capital work-in- progress	Total 2016
Cost					
As at January 1	15,566,699	14,643,426	490,950	2,352,487	33,053,562
Additions during the period	409,048	265,151	62,410	8,608,712	9,345,321
Transfers from CWIP	3,287,978	908,484	-	(8,016,427)	(3,819,965)
Write offs	(4,731,666)	(6,946)	-	(389,894)	(5,128,506)
Transfers / disposals	-	-	-	-	-
As at December 27	14,532,059	15,810,115	553,360	2,554,878	33,450,412
Accumulated depreciation					
As at January 1	10,230,306	9,110,181	150,951	-	19,491,438
Charge for the period	2,551,722	1,624,891	110,583	-	4,287,196
Write offs	(2,793,118)	(1,822)	-	-	(2,794,940)
Transfers / disposals	-	-	-	-	-
As at December 27	9,988,910	10,733,250	261,534	-	20,983,694
Net book value					
At December 27, 2016	4,543,149	5,076,865	291,826	2,554,878	12,466,718

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2015	Leasehold improvements	Furniture and office equipment	Motor vehicles	Capital work-in-progress	Total 2015
Cost					
As at January 1	14,397,773	12,936,103	691,950	1,893,927	29,919,753
Additions during the year	1,083,940	1,509,554	379,800	741,315	3,714,609
Transfers from CWIP	84,986	197,769	-	(282,755)	-
Transfers / disposals	-	-	(580,800)	-	(580,800)
As at December 31	15,566,699	14,643,426	490,950	2,352,487	33,053,562
Accumulated depreciation					
As at January 1	7,560,292	7,013,357	664,194	-	15,237,843
Charge for the year	2,670,014	2,096,824	67,557	-	4,834,395
Transfers / disposals	-	-	(580,800)	-	(580,800)
As at December 31	10,230,306	9,110,181	150,951	-	19,491,438
Net book value					
At December 31, 2015	5,336,393	5,533,245	339,999	2,352,487	13,562,124

Capital work in progress (CWIP) includes advances given to suppliers for purchase of fixed assets and construction of certain leasehold improvements.

12 Intangible assets - net

	Note	As at December 27, 2016	As at December 31, 2015
Cost			
Balance at the beginning of the period / year		18,988,982	18,865,065
Additions		802,890	123,917
Transfers from capital work-in-progress during the period / year		3,819,965	-
Balance at the end of the period / year		23,611,837	18,988,982
Accumulated amortization			
Balance at the beginning of the period / year		18,581,446	14,280,350
Charge for the period / year	18	1,314,535	4,301,096
Balance at the end of the period / year		19,895,981	18,581,446
Net book value at the end of the period / year		3,715,856	407,536

Intangibles represents cost of various softwares used by the Group for the purpose of accounting and record keeping of the various revenue streams that encompass the Group's business activities.

13 Loans to employees

The Company has established an employee housing loan program that offers eligible employees, an opportunity to buy or construct residential units. These loans are repayable by the employees over a period up to 25 years.

Loans to employees include a loan granted to an ex-director of the Company. The loan is payable as per agreement, approved by the Board. The amount outstanding as at December 27, 2016 is Saudi Riyals 5.257 million (December 31, 2015: Saudi Riyals 5.699 million).

14 Accrued and other current liabilities

	Note	As at December 27, 2016	As at December 31, 2015
Accrued expenses	14.1	10,465,229	19,686,720
Accounts payable	14.2	3,830,412	1,413,575
Total		14,295,641	21,100,295

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14.1 This includes an amount of Saudi Riyals 0.881 million (December 31, 2015: Saudi Riyals 0.880 million) due on account of GOSI contribution made by the Company.

14.2 This includes an amount of Saudi Riyals 0.020 million (December 31, 2015: Saudi Riyals 0.021 million) payable to Allianz Saudi Fransi (an associated company - related party) on account of savings plan fee.

15 Short-term borrowings

The Company has obtained overdraft facilities from the Bank in order to finance its lending book including margin / murabaha facilities extended to customers as follows:

S. No	Currency	Facility limit	As at December 27, 2016		Rate of commission
			Outstanding balance		
1	Saudi Riyals	2,750,000,000	678,676,171		Three months average SAIBOR + agreed spread
2	US Dollars	200,000,000	57,664,170		Three months average LIBOR + agreed spread
S. No	Currency	Facility limit	As at December 31, 2015		Rate of commission
			Outstanding balance		
1	Saudi Riyals	3,125,000,000	1,315,000,000		Three months average SAIBOR + agreed spread
2	US Dollars	100,000,000	14,423,000		Three months average LIBOR + agreed spread

16 Zakat and income taxes

The Group maintains a provision of Saudi Riyals 26.491 million (December 31, 2015: Saudi Riyals 27.037 million) for zakat and income tax as at December 27, 2016 which includes provision for the current period amounting to Saudi Riyals 26.491 million (December 31, 2015: Saudi Riyals 27.037 million). Zakat and income tax has been calculated in accordance with the Saudi Arabian Zakat and Income Tax Regulations and charged to the statement of changes in shareholders' equity.

16.1 Components of zakat base

The significant components of the zakat base under the Saudi Arabian Zakat and Income Tax Regulations are principally comprised of shareholders' equity, provisions at the beginning of the year, adjusted net income, less deductions for the net book value of fixed assets.

	As at December 27, 2016	As at December 31, 2015
Equity - share capital	500,000,000	500,000,000
Provisions	35,756,975	26,144,675
Statutory reserve, at the beginning of the period / year	86,136,520	74,423,522
Retained earnings, at the beginning of the period / year	521,168,892	442,663,800
Book value of fixed assets	(50,546,944)	(46,073,816)
Loans to employees	(25,237,506)	(28,256,923)
Provision - utilized during the period / year	(6,323,128)	(2,409,346)
Insurance receivable	(3,620,235)	(3,620,235)
	<u>1,057,334,574</u>	<u>962,871,677</u>
Adjusted net income for the period / year (a)	109,199,753	133,481,267
Approximate zakat base	<u>1,166,534,327</u>	<u>1,096,352,944</u>
Saudi shareholders' share of zakat base (b)	<u>803,613,832</u>	<u>755,265,372</u>

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16.2 Movement in provision for zakat

The movement in the provision for zakat is as follows:

	As at December 27, 2016	As at December 31, 2015
Balance at the beginning of the period / year	18,881,634	17,315,797
Provisions - for current period / year	20,090,346	18,881,634
Provisions / (reversal) - for prior period / year	5,614	(23,341)
	20,095,960	18,858,293
Payments	(18,887,248)	(17,292,456)
Balance at the end of the period / year	<u>20,090,346</u>	<u>18,881,634</u>

Zakat is payable at the rate of 2.5 percent calculated on higher of adjusted net income (a) and approximate zakat base (b) attributable to Saudi shareholders of the Company. For the year ended December 27, 2016, zakat base (Saudi Riyals 1,166.534 million) is higher than the adjusted net income (Saudi Riyals 109.199 million), and accordingly zakat provision is calculated on zakat base.

16.3 Movement in provision for income tax

The movement in the provision for income tax based on non-Saudi shareholding of 31.11% (2015: 31.11%) is as follows:

	As at December 27, 2016	As at December 31, 2015
Balance at the beginning of the period / year	8,155,586	10,389,438
Provisions - for current period / year	6,401,189	8,155,586
Provisions / (reversal) - for prior period / year	86,948	(101,988)
	6,488,137	8,053,598
Payments	(8,242,534)	(10,287,450)
Balance at the end of the period / year	<u>6,401,189</u>	<u>8,155,586</u>

Income tax is calculated at the rate of 20% adjusted net income for the year attributable to non-Saudi shareholding.

16.4 Status of final assessments

The Company has filed its zakat and income tax declarations for the years from 2008 to 2015. The GAZT has not yet finalized the assessments for the said years. The zakat and income tax declaration of the Company for the period ended December 27, 2016 will be due for filing by April 30, 2017.

With respect to CAAM Saudi Fransi (the Merged Company), the Company has received an assessment relating to returns filed from period 2007 to January 2011 with an additional zakat and income tax liability of Saudi Riyals 3.6 million. The Company had filed an appeal against this assessment with Preliminary Zakat and Tax Appeal Committee (PZTAC) which issued its decision by reducing additional zakat and income tax liability to Saudi Riyals 1.3 million. The Company has filed an appeal against this revised assessment with Appellate Committee for Zakat and Tax Appeals which is pending for hearing. The Bank has issued a bank guarantee in respect of appealed amount of Saudi Riyals 1.3 million on behalf of the Company in favor of GAZT.

With respect to Calyon Saudi Fransi (the Merged Company), the Company has received an assessment relating to returns filed from period 2007 to January 2011 with an additional zakat and income tax liability of Saudi Riyals 3.1 million. The Company has filed an appeal against this assessment which is pending for hearing.

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17 Employee termination benefits

	Note	As at December 27, 2016	As at December 31, 2015
Balance at the beginning of the period / year		25,800,665	21,891,518
Provisions		7,900,619	6,274,277
Transfers from Bank in respect of employee termination benefits		6,870	44,216
Payments	17.1	<u>(1,204,179)</u>	<u>(2,409,346)</u>
Balance at the end of the period / year		<u>32,503,975</u>	<u>25,800,665</u>

17.1 The payment made to employees for 2015 represents the net amount after deduction of proceeds receivables for disposal of fixed assets to an ex-employee of the Company.

18 General and administrative expenses

	Notes	For the period from January 1, to December 27, 2016	For the year ended December 31, 2015
Information technology related expenses		13,557,721	15,483,590
Rentals and premises related expenses		10,020,316	10,312,450
Travel and entertainment expenses		5,499,946	6,892,468
Depreciation	11	4,287,196	4,834,395
Legal and professional fees		3,857,014	4,672,696
Amortization	12	1,314,535	4,301,096
Remuneration of Board of Directors		1,240,817	1,308,000
Provision for doubtful receivables		49,600	703,153
Others	10.3	<u>199,085</u>	<u>8,878,163</u>
Total		<u>40,026,230</u>	<u>57,386,011</u>

19 Contingencies and commitments

As at December 27, 2016, the Group has outstanding commitments amounting to Saudi Riyals 1.051 million (December 31, 2015: Saudi Riyals 1.7 million) on account of payments for purchases of goods and services. As at December 27, 2016, the Company has approved margin financing / murabaha facility limits amounting to Saudi Riyals 2,172 million (December 31, 2015: Saudi Riyals 3,226 million) to customers, out of which limits amounting to Saudi Riyals 1,180 million (December 31, 2015: Saudi Riyals 1,759 million) are unutilized as at December 27, 2016. Also please refer to note 16.4.

As at December 27, 2016, the Group is subject to litigations in the normal course of its business. The Group believes that the outcome of the pending legal cases will not have a material impact on the Group's income or financial position.

20 Assets held under fiduciary capacity

As at December 27, 2016, cash held under fiduciary capacity amounting to Saudi Riyals 5,599 million (December 31, 2015: Saudi Riyals 6,199 million) were kept with the Bank. These amounts were kept with the Company by its customers for the purpose of investment in the local, international equity markets and investment funds.

Further, as at December 27, 2016, shares amounting to Saudi Riyals 46.8 million (December 31, 2015: Saudi Riyals 26.9 million) were kept by the Company on behalf of the customers under equity swap arrangements.

The mutual funds' assets related to the funds unit holders managed by the Company amounted to Saudi Riyals 3,997 million as at December 27, 2016 (December 31, 2015: Saudi Riyals 5,152 million).

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21 Capital Adequacy

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

In accordance with Article 74(b) of the Prudential Rules issued by the CMA (the Rules), given below are the disclosures of the capital base, minimum capital requirement and total capital ratio as at December 27, 2016 and December 31, 2015:

	SAR' 000	
	As at December 27, 2016	As at December 31, 2015
Capital Base:		
Tier 1 Capital	1,176,852	1,102,605
Tier 2 Capital	411	-
Total Capital Base	1,177,264	1,102,605
Minimum Capital Requirement:		
Market Risk	131	158
Credit Risk	314,317	377,020
Operational Risk	49,329	51,880
Total Minimum Capital Required	363,777	429,058
Capital Adequacy Ratio:		
Total Capital Ratio (times)	3.24	2.57
Tier 1 Capital Ratio (times)	3.24	2.57
Surplus / (deficit) in Capital	813,486	673,547

- a) The above information has been extracted from the Company's annual Capital Adequacy Model for December 27, 2016 to be submitted to CMA and for December 31, 2015 as submitted to the CMA.
- b) The Capital Base consists of Tier 1 Capital and Tier 2 Capital calculated as per Article 4 and 5 of the Rules respectively. The Minimum Capital Requirements for Market, Credit & Operational Risk are calculated as per the requirements specified in Part 3 of the Rules.
- c) The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.
- d) Certain information as required by Pillar III of the Prudential Rules will be made available to the public on the Company's website, however, this information is not subject to review or audit by the external auditors' of the Company.