

**Emirates NBD Capital KSA LLC
(A Limited Liability Company)**

FINANCIAL STATEMENTS

31 DECEMBER 2016



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**AUDITORS' REPORT TO THE PARTNERS OF
EMIRATES NBD CAPITAL KSA LLC
(A Limited Liability Company)**

Scope of audit:

We have audited the accompanying balance sheet of Emirates NBD Capital KSA LLC, a Limited Liability Company (the "Company") as at 31 December 2016 and the related statements of income, cash flows and changes in partners' equity for the year then ended. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the requirements of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of 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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

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

- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia
- ii) comply with the requirements of the Regulations for Companies and the Company's Articles of Association in so far as they affect the preparation and presentation of the financial statements.

Emphasis of a matter:

Without qualifying our opinion, we draw attention to note 2 to the financial statements. The Company has taken certain legal steps as detailed in note 2 to comply with the requirements of Saudi Arabian Regulations for Companies in respect of losses exceeding half of its capital. However, as at the date of this report, the resolution of Partners has not been published as required by the Regulations for Companies.

for Ernst & Young

Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277



Riyadh: 28 Jumada Thani 1438H
(27 March 2017)

Emirates NBD Capital KSA LLC
(A Limited Liability Company)

BALANCE SHEET

As at 31 December 2016

	<i>Notes</i>	2016 SR	2015 SR
ASSETS			
CURRENT ASSETS			
Cash and bank balances	4	7,193,796	6,108,012
Term deposits	5	39,000,000	53,000,000
Prepayments and other receivables	6	5,640,969	1,107,492
Due from related parties	9	674,969	2,181,164
TOTAL CURRENT ASSETS		52,509,734	62,396,668
NON-CURRENT ASSET			
Property and equipment	7	115,118	150,918
Intangible assets	8	89,429	70,335
TOTAL NON-CURRENT ASSETS		204,547	221,253
TOTAL ASSETS		52,714,281	62,617,921
LIABILITIES AND PARTNERS' EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Due to related parties	9	558,116	518,319
Accruals and other payables	10	1,746,972	1,111,485
Zakat	11	4,321,856	3,392,193
TOTAL CURRENT LIABILITIES		6,626,944	5,021,997
NON-CURRENT LIABILITIES			
Employees' terminal benefits		1,366,190	1,177,788
Subordinated loan	9b(ii)	-	15,000,000
TOTAL NON CURRENT LIABILITIES		1,366,190	16,177,788
TOTAL LIABILITIES		7,993,134	21,199,785
PARTNERS' EQUITY			
Capital	12	115,000,000	115,000,000
Accumulated losses		(70,278,853)	(73,581,864)
TOTAL PARTNERS' EQUITY		44,721,147	41,418,136
TOTAL LIABILITIES AND PARTNERS' EQUITY		52,714,281	62,617,921

The notes from 1 to 23 form part of these financial statements.

Emirates NBD Capital KSA LLC
(A Limited Liability Company)

STATEMENT OF INCOME

For the year ended 31 December 2016

	<i>Notes</i>	2016 SR	2015 SR
REVENUE			
Revenue from Dealing, net	14	1,064,682	1,225,377
Arranging fees	9	149,831	161,404
Asset management and related fees	9(c)	8,204,084	5,486,882
Custody fees		4,909,818	4,785,757
		14,328,415	11,659,420
General and administration expenses	15	(12,286,719)	(12,407,879)
NET INCOME FROM MAIN OPERATIONS		2,041,696	(748,459)
Other income, net	16	1,388,280	875,095
Finance income	9	1,256,994	241,355
Finance cost	9	(272,679)	(157,026)
Bank charges		(8,596)	(467)
NET INCOME BEFORE ZAKAT		4,405,695	210,498
Zakat	11	(1,102,684)	(171,861)
NET INCOME FOR THE YEAR		3,303,011	38,637

The notes from 1 to 23 form part of these financial statements.

Emirates NBD Capital KSA LLC
(A Limited Liability Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 SR	2015 SR
OPERATING ACTIVITIES			
Net income before zakat		4,405,695	210,498
Adjustments for:			
Depreciation and amortisation	7 and 8	97,065	69,369
Provision for employees' terminal benefits		247,879	321,369
Gain on disposal of furniture and equipment	16	-	(38,100)
		<u>4,750,639</u>	<u>563,136</u>
<i>Operating cash flow before working capital changes</i>			
Changes in operating assets and liabilities:			
Prepayments and other receivables		(4,533,477)	(116,226)
Due from related parties		1,506,195	1,251,346
Accruals and other payables		635,487	(587,881)
Due to related parties		39,797	345,634
		<u>2,398,641</u>	<u>1,456,009</u>
Net cash from operations			
Employees' terminal benefits paid		(59,477)	-
Zakat paid	11	(173,021)	(158,151)
		<u>2,166,143</u>	<u>1,297,858</u>
Net cash from operating activities			
INVESTING ACTIVITIES			
Term deposit		14,000,000	(38,000,000)
Purchase of property and equipment	7	(39,068)	(15,820)
Purchase of intangible assets	8	(41,291)	(75,024)
Proceeds from disposal of property and equipment		-	38,100
		<u>13,919,641</u>	<u>(38,052,744)</u>
Net cash from (used in) investing activities			
FINANCING ACTIVITY			
Contribution for increase in capital	12	-	35,000,000
Repayment of subordinated loan	9b(ii)	(15,000,000)	-
		<u>(15,000,000)</u>	<u>35,000,000</u>
Cash (used in) from financing activity			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,085,784	(1,754,886)
Cash and cash equivalents at beginning of the year	4	<u>6,108,012</u>	<u>7,862,898</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4	<u><u>7,193,796</u></u>	<u><u>6,108,012</u></u>

The notes from 1 to 23 form part of these financial statements.

Emirates NBD Capital KSA LLC
(A Limited Liability Company)

STATEMENT OF CHANGES IN PARTNERS' EQUITY
For the year ended 31 December 2016

	<i>Capital SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Balance at 31 December 2014	80,000,000	(73,620,501)	6,379,499
Increase in capital (note 12)	35,000,000	-	35,000,000
Net income for the year	-	38,637	38,637
Balance at 31 December 2015	<u>115,000,000</u>	<u>(73,581,864)</u>	<u>41,418,136</u>
Net income for the year	-	3,303,011	3,303,011
Balance at 31 December 2016	<u>115,000,000</u>	<u>(70,278,853)</u>	<u>44,721,147</u>

The notes from 1 to 23 form part of these financial statements.

Emirates NBD Capital KSA LLC
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

1 ACTIVITIES

Emirates NBD Capital KSA LLC (the "Company") is a limited liability company, registered in Riyadh, Kingdom of Saudi Arabia. The Company is registered under commercial registration numbered 1010248476 dated 13 Rabi Thani 1429H (corresponding to 20 April 2008).

The Company is owned directly and indirectly by Emirates NBD (PJSC) which is referred to as the "Bank" in these financial statements. The Bank was incorporated in United Arab Emirates by the decree of the ruler of the United Arab Emirates on 27 March 1977.

The Company is licensed to engage as a principal or as an agent, in providing equity brokerage, lead arrangements, asset management, advisory and securities custody services.

2 ACCUMULATED LOSSES AND GOING CONCERN ASSUMPTION

As at 31 December 2016 the Company's accumulated losses exceeded 50% of its capital which indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. However, the Company has complied with the requirements prescribed by the Companies Regulations, which become applicable when accumulated losses reach 50% of share capital, as the partners have passed a resolution, confirming the continuation of Company's business and providing sufficient financial support to the Company to enable it to meet its financial obligations as and when they fall due. Accordingly, financial statements of the Company have been prepared on a going concern basis. However, the resolution has not been published as required by the Regulations for Companies.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses during the reporting period. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

Functional currency

These financial statements are presented in Saudi Arabian Riyals ("SR"), which is the Company's functional currency.

Revenue recognition

Management fees

Fees charged for managing mutual funds and private portfolios are recognised as revenue rateably as the services are provided. Subscription fees from funds are recognised upon subscription. Performance fees is recognised at the year end, if the results achieved trigger a performance fee.

Special commission income

Special commission income is recognised on an effective yield basis.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Brokerage/Initial Public Offering income

Income from transaction-type services such as brokerage services for which customers are billed on completion of the deal are recognised when the deal has been executed.

Advisory income

Income from advisory services is recognised based on the respective service contract or on a time proportionate basis as appropriate based on terms of respective contracts.

Custody fee income

Custody fee income is recognised on an accrual basis.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

Expenditure for repairs and maintenance is charged to the statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized.

Intangible assets

Intangible assets represent computer software licenses and are amortized over their estimated useful life of 4 years.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the statement of income.

Accounts receivable

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are not considered collectible.

Accounts payable and accruals

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

Foreign currency transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated in Saudi Riyals at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Employees' terminal benefits

Provision is made for amounts payable under the Saudi Arabian labor law applicable to employees' accumulated periods of service at the balance sheet date.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consists of bank balances, cash in hand and term deposits which have a maturity of three months or less at origination.

Emirates NBD Capital KSA LLC
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

All expenses are classified as general and administration expenses.

4 CASH AND BANK BALANCES

	2016 SR	2015 SR
Cash in hand	17	17
Bank balance	7,193,779	6,107,995
	<u>7,193,796</u>	<u>6,108,012</u>

5 TERM DEPOSITS

	2016 SR	2015 SR
Term deposit (note i below)	39,000,000	38,000,000
Other deposit (note ii below)	-	15,000,000
	<u>39,000,000</u>	<u>53,000,000</u>

- i) Term deposit represents amount placed with Emirates NBD Bank – Riyadh Branch (the “Branch”) and has an original maturity of more than three months. It carries special commission at the rate of 3% per annum (2015: 1.5% per annum).
- ii) Other deposit as at 31 December 2015 represented amount placed with Emirates NBD Bank – Riyadh Branch (the “Branch”) based on the Capital Market Authority (the “CMA”) requirements. Accordingly, the withdrawal of this deposit was subject to the CMA approval. It carried special commission at the rate of 1.78% per annum and matured on 31 December 2016. Subsequent to the approval of the CMA, this deposit has not been renewed.

6 PREPAYMENTS AND OTHER RECEIVABLES

	2016 SR	2015 SR
Margin deposit (see note 11)	3,221,856	-
Accrued special commission	1,031,149	84,329
Prepayments	848,272	941,827
Fees receivable	503,550	66,113
Other receivables	36,142	15,223
	<u>5,640,969</u>	<u>1,107,492</u>

Emirates NBD Capital KSA LLC
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

7 PROPERTY AND EQUIPMENT

The cost of property and equipment is depreciated on a straight-line basis over the following estimated useful lives:

	5 years	4 years				
			Furniture and fixtures	4 years		
Leasehold improvements						
Office equipment and computers						
	Leasehold improvements SR	Furniture and fixtures SR	Office equipment and computers SR		2016 Total SR	2015 Total SR
<i>Cost:</i>						
At beginning of the year	5,150,842	1,555,368	2,231,092		8,937,302	8,998,982
Additions during the year	-	-	39,068		39,068	15,820
Disposals during the year	-	-	-		-	(77,500)
At end of the year	5,150,842	1,555,368	2,270,160		8,976,370	8,937,302
<i>Accumulated depreciation:</i>						
At beginning of the year	5,150,842	1,554,829	2,080,713		8,786,384	8,799,204
Depreciation charge for the year	-	539	74,329		74,868	64,680
Relating to disposals	-	-	-		-	(77,500)
At end of the year	5,150,842	1,555,368	2,155,042		8,861,252	8,786,384
<i>Net book value:</i>						
At 31 December 2016	-	-	115,118		115,118	
At 31 December 2015	-	539	150,379			150,918

Emirates NBD Capital KSA LLC
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2016

8 INTANGIBLE ASSETS

Intangible assets include software licenses, which are being amortized over a period of 4 years.

	2016 SR	2015 SR
<i>Cost:</i>		
At the beginning of the year	460,727	385,703
Additions during the year	41,291	75,024
	<hr/>	<hr/>
At the end of the year	502,018	460,727
	<hr/>	<hr/>
<i>Accumulated amortization:</i>		
At the beginning of the year	390,392	385,703
Amortization charge for the year	22,197	4,689
	<hr/>	<hr/>
At the end of the year	412,589	390,392
	<hr/>	<hr/>
Net book value:	89,429	70,335
	<hr/> <hr/>	<hr/> <hr/>

Emirates NBD Capital KSA LLC
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2016

9 RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of major related party transactions during the year and the balances at the year-end:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Notes</i>	<i>Amount</i>	
			<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Emirates NBD Bank – Riyadh Branch	Finance income (non-regulatory)	5	984,315	84,329
Shareholder (the “Bank”)	Finance income	9b(ii)	272,679	157,026
	Finance cost	9b(ii)	(272,679)	(157,026)
	Recharge of staff cost	9b(iii)	1,390,552	520,362
	Custody fees	9b(iv)	4,594,186	4,473,126
	Arranging fees	9b(v)	149,831	161,404
	Other costs	9b(vi)	604,439	709,940
Affiliates	Asset management fees	9(c)	5,227,295	2,861,882
Board members	Independent Board members’ fee		240,000	240,000

a) Amounts due from and to related parties

i) Amounts due from related parties:

<i>Related parties</i>	<i>Balances</i>	
	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Emirates NBD Bank – Private Banking Dubai	335,490	541,235
Emirates NBD Bank – KSA Branch (the “Branch”)	270,661	825,545
Emirates NBD Asset Management Limited	68,818	814,384
	<u>674,969</u>	<u>2,181,164</u>

ii) Amounts due to related parties:

<i>Related parties</i>	<i>Balances</i>	
	<i>2016</i> <i>SR</i>	<i>2015</i> <i>SR</i>
Emirates NBD – PJSC (the “Bank”)	539,507	499,711
ENBD Securities	18,609	18,608
	<u>558,116</u>	<u>518,319</u>

The Company’s related parties include its partners and their affiliated companies. The Company transacts with its related parties in the ordinary course of business. Transactions with related parties are undertaken at mutually agreed terms which are approved by the management.

b) Transactions with the Bank:

i) *Banking services*

The Bank through its Riyadh branch (the “Branch”) acts as the banker of the Company. An amount of SR 46.2 million (2015: SR 59.1 million) is held in current and deposit accounts with the Branch at the balance sheet date (see notes 4 and 5).

31 December 2016

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Transactions with the Bank (continued)

ii) Subordinated loan to meet regulatory requirement

The Company had a subordinated loan from the Branch amounting to SR 15 million (2015: SR 15 million) in order to meet regulatory requirements. The funds received were placed in term deposits with the Branch. The placement and the loan were both contracted at the same special commission rates. The deposit was withdrawn and subordinated loan was settled as at 31 December 2016 with the prior consent of the CMA.

iii) Staff cost

As per the agreement with the Private Banking Group of the Bank, the Company recharged cost of Private banking staff amounting to SR 1.39 million during 2016 (2015: SR 0.52 million).

iv) Custody fees

As per the agreement with the Business Banking Group of the Branch, the Company charges custody fees on shares held on Branch's behalf. The income for 2016 amounted to SR nil (2015: SR 0.72 million).

As per the agreement with Emirates NBD Dubai, the Company charges custody fees on shares held on Branch's behalf. The income for 2016 amounted to SR 0.26 million (2015: SR nil).

As per the agreement with the Private Banking Group of the Branch, the Company charges custody fees on shares held on Branch's behalf. The income for 2016 amounted to SR 2.40 million (2015: SR 0.79 million).

Furthermore, as per the agreement with the Private Banking Group of the Branch, the Company receives 50% of the commission income as custody fees on shares held on their behalf. The Company's share of income for 2016 amounted to SR 1.93 million (2015: SR 2.96 million).

v) Arranging fees

The Company has entered into an agreement with Private Banking Group of the Bank in Dubai whereby the Company receives arranging fees on customers introduced to the Bank. The Company recorded an income of SR 0.150 million during 2016 in this respect (2015: SR 0.16 million).

vi) Other cost sharing agreement

In ordinary course of business, the Company and the Branch transact with each other. Consequently, costs such as premises and rental are shared. The Company has been charged SR 0.60 million by the Branch during 2016 (2015: 0.71 million).

The Bank started charging the Company an allocation of shared service cost in 2014. However, no cost was allocated to the Company during the year.

c) Transactions with affiliates:

Asset management and related fee

The Company has entered into an agreement with Emirates NBD Asset Management Limited (the "affiliate") whereby the Company receives commission on assets managed by the affiliate. The Company has recorded income amounting to SR 5.23 million during 2016 (2015: SR 2.86 million).

The Company also acts as a Fund Manager for Al-Diyafaa Real Estate Fund. As per the agreement, the Company charges management fees of 0.25% per annum of the initial book value of the Fund amounting to SR 2.626 million (2015 : SR 2.625 million).

Emirates NBD Capital KSA LLC
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2016

10 ACCRUALS AND OTHER PAYABLES

	2016 SR	2015 SR
Employee related accruals	851,324	445,700
Accrued expenses and other payables	822,326	560,542
Withholding tax payable	73,322	105,243
	<u>1,746,972</u>	<u>1,111,485</u>

11 ZAKAT

Charge for the year

Zakat charge for the year amounted to SR 1,102,684 (2015: SR 171,861).

The following is a summary of the items included in the zakat base for the year ended 31 December:

	2016 SR	2015 SR
Equity	41,418,136	6,379,499
Opening allowances and other adjustments	1,537,788	4,076,751
Book value of long term assets	(3,621,860)	(3,635,034)
	<u>39,334,064</u>	<u>6,821,216</u>
Adjusted profit for the year	4,665,936	53,220
Zakat base	<u>44,000,000</u>	<u>6,874,436</u>

The difference between the financial and zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable profit.

Movement in provision during the year

The movement in zakat provision for the year was as follows:

	2016 SR	2015 SR
At the beginning of the year	3,392,193	3,378,483
Charge for the year	1,100,000	171,861
Prior year adjustment	2,684	-
Payments made during the year	(173,021)	(158,151)
	<u>4,321,856</u>	<u>3,392,193</u>

Status of assessments and contingencies

Zakat declarations for all years upto 2015 were submitted to the General Authority for Zakat and Tax (the "GAZT"). However, no assessments have yet been raised for the years from 2012 to 2015.

In prior years, the GAZT raised its assessment for the years 2008 to 2011 assessing additional zakat on the Company amounting to SR 3,221,856. The Company filed appeal against the above assessment raised by the GAZT in Higher Appeal Committee (HAC) and also provided a guarantee (margin deposit) of SR 3,221,856 to GAZT. The Company has not yet received any response from the GAZT. However, the Company's management has provided for the assessed amount based on their best estimate of the worst case outcome.

Emirates NBD Capital KSA LLC
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

11 ZAKAT (continued)

The GAZT may assess similar zakat liability for the years from 2012 to 2015, however, since no assessment has been finalized by the GAZT for these years and given the fact that the Company's has filed appeal against the assessment by the GAZT for the years from 2008 to 2011, no further provision has been made in the financial statements.

12 CAPITAL

Capital consists of 115,000 shares (2015: 115,000 shares) of SR 1,000 each. The capital is distributed as follows:

<i>Name</i>	<i>2016</i>		<i>2015</i>	
	<i>Number of shares</i>	<i>%</i>	<i>Number of shares</i>	<i>%</i>
Emirates NBD Bank	109,250	95%	109,250	95%
Emirates Financial Services - Dubai	5,750	5%	5,750	5%

During 2015, the Company issued 35,000 shares of SR 1,000 each which were fully subscribed by its shareholders thus increasing the capital of the Company from SR 80 million to SR 115 million.

13 STATUTORY RESERVE

As required by Saudi Arabian Regulations for Companies and the articles of association of the Company, 10% of the income for the year after zakat has to be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of its capital. The reserve is not available for distribution. Due to the accumulated losses, no such transfer has yet been made.

14 REVENUE FROM DEALING , NET

	<i>2016</i>	<i>2015</i>
	<i>SR</i>	<i>SR</i>
Revenue from dealing - net	1,408,121	1,610,411
Expense on dealing	(343,439)	(385,034)
	<u>1,064,682</u>	<u>1,225,377</u>

Emirates NBD Capital KSA LLC
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

15 GENERAL AND ADMINISTRATION EXPENSES

	2016 SR	2015 SR
Salaries and employee related expenses	7,706,802	7,190,569
Repair and maintenance expense	1,138,538	1,117,097
Professional and consulting fees	983,578	759,901
Communication expense	642,424	621,170
Rent expense	604,439	709,940
Broker insurance expense	254,103	254,103
Independent Board members' fees	240,000	240,000
Stationery and subscription fees	177,918	222,097
Security charges	162,000	162,000
Utilities expense	159,215	163,942
Depreciation and amortisation expense (see note 7 and 8)	97,065	69,369
Travel expense	62,048	80,071
Stock exchange charges	46,490	366,735
Withholding tax expense	1,700	51,853
Expenses allocated from the Bank see note (9)(b)(vi)	-	166,513
Royalty recharge expense see note (9)(b)(vi)	-	160,383
Others	10,399	72,136
	<u>12,286,719</u>	<u>12,407,879</u>

16 OTHER INCOME, NET

	2016 SR	2015 SR
Recharge to related parties (see note 9b(iii))	1,390,552	520,362
Reversal of excess accruals	-	278,744
Gain on disposal of furniture and equipment	-	38,100
Rental income	-	36,837
Foreign exchange (loss) gain	(2,272)	1,052
	<u>1,388,280</u>	<u>875,095</u>

17 RISK MANAGEMENT

Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market special commission rates. The Company does not have any significant exposure to special commission rate risk as it does not have any significant floating special commission rate bearing financial assets or liabilities as at the balance sheet date.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to currency risk due to fluctuations in foreign exchange rates in the normal course of its business. The Company neither has significant monetary assets and liabilities nor did it undertake significant transactions in currencies other than Saudi Riyals, UAE Dirhams and US Dollars during the year and since Saudi Riyal and UAE Dirham are pegged to the US Dollar therefore management believes that the Company is not exposed to any significant currency risk.

17 RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances, term deposits, due from related parties and other receivables. The Company's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in releasing funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity requirements are monitored on a regular basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

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.

Financial instruments comprise financial assets and financial liabilities. The Company's financial assets consist of bank balances and cash, term deposits, amounts due from related parties and other receivables. Its financial liabilities consist of amounts due to related parties, accounts payable and accruals and subordinated loan.

The fair values of financial instruments of the Company at the balance sheet date are not materially different from their carrying values.

19 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of receivables

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

Useful lives of property and equipment

The Company's management determines the estimated useful lives of its furniture and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

20 ASSETS HELD IN FIDUCIARY CAPACITY

As at 31 December 2016, client money and investments held under fiduciary capacity (on dealing and managing license activities) amounted to SR 78.5 million (2015: SR 58.6 million) and SR 6,070 million (2015: SR 3,221 million) respectively. These amounts were maintained with the Company by its customers for the purpose of investment in the local equity market on their behalf. As the Company acts in a fiduciary capacity, these are not included in the financial statements of the Company.

The Company entered into custodial service agreement with a mutual fund operating in the Kingdom of Saudi Arabia to acquire 95% shares in a limited liability company on behalf of the fund. The Company has not recorded such investment in its financial statements as it is merely acting as custodian for the fund.

The Company has also entered into an agreement with certain counterparties. As at the year end, the Company holds SR 16 million (2015: SR 27.1 million) in client money and SR 278.6 million (2015: SR 289.4 million) of investments under fiduciary capacity.

Emirates NBD Capital KSA LLC
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

21 REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The capital base, minimum capital requirement and capital adequacy ratio of the Company as per the CMA's Prudential Rules are as follows:

	2016 SR	2015 SR
Capital Base:		
Tier 1 Capital	44,632,000	41,348,000
Tier 2 Capital	-	12,001,000
Total Capital Base	<u>44,632,000</u>	<u>53,349,000</u>
Minimum Capital Requirement:		
Credit risk	2,251,000	2,470,000
Operational risk	3,418,000	3,184,000
Total minimum capital required (see note (d) below)	<u>5,669,000</u>	<u>5,654,000</u>
Capital Adequacy Ratio:		
Total Capital Ratio (times)	7.87	9.44
Tier 1 Capital Ratio (times)	7.87	7.31
Surplus in the capital (see note (d) below)	38,963,000	47,695,000

- a) The capital base comprise of
- Tier 1 capital consist of share capital and audited retained earnings.
 - Tier 2 capital consist of subordinated loan.

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

- b) The Company manages its capital base in light of Pillar I and Pillar II of the Prudential Rules - the capital base should not be less than the minimum capital requirement.
- c) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.
- d) The minimum paid up capital required as per Article 6(g) of the Authorised Persons regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia in respect of the licensed activities of the Company is SR 50 million.

22 COMPARATIVE FIGURES

Certain prior period numbers have been reclassified to confirm with the current year presentation.

23 APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors of the Company approved the financial statements on 28 Jumada Thani 1438H (corresponding to 27 March 2017).