

**Emirates NBD Capital Saudi Limited
(A Limited Liability Company)**

FINANCIAL STATEMENTS

31 DECEMBER 2015



Building a better
working world

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

Scope of audit:

We have audited the accompanying balance sheet of Emirates NBD Capital Saudi Limited, a Limited Liability Company (the "Company") as at 31 December 2015 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 provisions of Article 175 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 2015 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 in order to comply with the requirements of Saudi Arabian Regulations for Companies in respect of losses exceeding half of the capital. However, as at the date of this report, the resolution has not been published in the official gazette.

for Ernst & Young



Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354

Riyadh: 21 Jumad Thani 1437H
(30 March 2016)

Emirates NBD Capital Saudi Limited
(A Limited Liability Company)

BALANCE SHEET

As at 31 December 2015

	<i>Notes</i>	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
ASSETS			
CURRENT ASSETS			
Cash and bank balances	4	6,108,012	7,862,898
Term deposits	5	53,000,000	15,000,000
Prepayments and other receivables	6	1,107,492	991,266
Due from related parties	8	2,181,164	3,432,510
TOTAL CURRENT ASSETS		62,396,668	27,286,674
NON-CURRENT ASSET			
Furniture and equipment	7	221,253	199,778
TOTAL ASSETS		62,617,921	27,486,452
LIABILITIES AND PARTNERS' EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Due to related parties	8	518,319	172,685
Accruals and other payables	9	1,111,485	1,699,366
Zakat	10	3,392,193	3,378,483
TOTAL CURRENT LIABILITIES		5,021,997	5,250,534
NON-CURRENT LIABILITIES			
Employees' terminal benefits		1,177,788	856,419
Subordinated loan	8b(ii)	15,000,000	15,000,000
TOTAL NON CURRENT LIABILITIES		16,177,788	15,856,419
TOTAL LIABILITIES		21,199,785	21,106,953
PARTNERS' EQUITY			
Capital	11	115,000,000	80,000,000
Accumulated losses		(73,581,864)	(73,620,501)
TOTAL PARTNERS' EQUITY		41,418,136	6,379,499
TOTAL LIABILITIES AND PARTNERS' EQUITY		62,617,921	27,486,452

The attached notes 1 to 21 form part of these financial statements.

Emirates NBD Capital Saudi Limited
(A Limited Liability Company)

STATEMENT OF INCOME

For the year ended 31 December 2015

	<i>Notes</i>	2015 SR	2014 SR
REVENUE			
Revenue from brokerage services, net	13	1,225,377	1,480,605
Referral fees	8	3,023,286	835,136
Management fees	8d	2,625,000	1,929,694
Commission for Initial Public Offering	8c(ii)	-	867,383
Custody fees		4,785,757	4,104,828
		<u>11,659,420</u>	<u>9,217,646</u>
General and administration expenses	14	<u>(12,408,346)</u>	<u>(10,873,479)</u>
NET LOSS FROM MAIN OPERATIONS		(748,926)	(1,655,833)
Other income	15	875,095	1,183,386
Finance income	8	241,355	558,455
Finance cost	8	<u>(157,026)</u>	<u>(558,534)</u>
NET INCOME (LOSS) BEFORE ZAKAT		210,498	(472,526)
Zakat	10	<u>(171,861)</u>	<u>(3,218,074)</u>
NET INCOME (LOSS) FOR THE YEAR		<u>38,637</u>	<u>(3,690,600)</u>

The attached notes 1 to 21 form part of these financial statements.

Emirates NBD Capital Saudi Limited
(A Limited Liability Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 SR	2014 SR
OPERATING ACTIVITIES			
Net income (loss) before zakat		210,498	(472,526)
Adjustments for:			
Depreciation	7	69,369	326,538
Provision for employees' terminal benefits		321,369	533,929
Gain on disposal of furniture and equipment	15	(38,100)	-
<i>Operating cash flow before working capital changes</i>		563,136	387,941
Changes in operating assets and liabilities:			
Prepayments and other receivables		(116,226)	3,128,907
Due from related parties		1,251,346	(1,314,837)
Accruals and other payables		(587,881)	(348,485)
Due to related parties		345,634	(928,442)
Net cash from operations		1,456,009	925,084
Employees' terminal benefits paid		-	(18,057)
Zakat paid	10	(158,151)	(39,591)
Net cash from operating activities		1,297,858	867,436
INVESTING ACTIVITIES			
Term deposit		(38,000,000)	-
Proceed from maturity of time deposit		-	35,000,000
Purchase of furniture and equipment	7	(90,844)	(116,701)
Proceeds from disposal of furniture and equipment		38,100	-
Net cash (used in) from investing activities		(38,052,744)	34,883,299
FINANCING ACTIVITY			
Contribution for increase in capital		35,000,000	-
Repayment of subordinated loan		-	(35,000,000)
Cash from (used in) financing activity		35,000,000	(35,000,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,754,886)	750,735
Cash and cash equivalents at beginning of the year	4	7,862,898	7,112,163
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4	6,108,012	7,862,898

The attached notes 1 to 21 form part of these financial statements.

Emirates NBD Capital Saudi Limited
(A Limited Liability Company)

STATEMENT OF CHANGES IN PARTNERS' EQUITY
For the year ended 31 December 2015

	<i>Capital</i> SR	<i>Proposed increase</i> <i>in capital</i> SR	<i>Accumulated losses</i> SR	<i>Total</i> SR
Balance at 31 December 2013	75,000,000	5,000,000	(69,929,901)	10,070,099
Increase in capital (note 11)	5,000,000	(5,000,000)	-	-
Net loss for the year	-	-	(3,690,600)	(3,690,600)
Balance at 31 December 2014	80,000,000	-	(73,620,501)	6,379,499
Increase in capital (note 11)	35,000,000	-	-	35,000,000
Net income for the year	-	-	38,637	38,637
Balance at 31 December 2015	115,000,000	-	(73,581,864)	41,418,136

The attached notes 1 to 21 form part of these financial statements.

Emirates NBD Capital Saudi Limited
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1 ACTIVITIES

Emirates NBD Capital Saudi Limited (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 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 2015, the Company's accumulated losses exceeded half of its capital. As per Article 180 of the Saudi Arabian Regulations for Companies require that in such situations, the manager should call for a meeting at which the partners resolve whether to continue with the operations of the Company and provide support or to dissolve it before the expiry of its term.

Subsequent to the year-end the shareholders 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. However, such resolution has not yet been published in an official gazette.

Based on the commitment from the shareholders as set out above, financial statements of the Company have been prepared on a going concern basis.

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 and presentation 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 meet the annual pre-set target.

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

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

Furniture and equipment

Furniture and equipment is stated at cost less accumulated depreciation and any accumulated impairment in value. The cost less estimated residual value of furniture 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 capitalised.

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 recognised 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 recognised 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 labour 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.

Expenses

All expenses are classified as general and administration expenses.

Emirates NBD Capital Saudi Limited
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

4 CASH AND BANK BALANCES

	2015 SR	2014 SR
Cash in hand	17	183
Bank balance	6,107,995	7,862,715
	<u>6,108,012</u>	<u>7,862,898</u>

5 TERM DEPOSITS

	2015 SR	2014 SR
Term deposit (note i below)	38,000,000	-
Regulatory deposit (note ii below)	15,000,000	15,000,000
	<u>53,000,000</u>	<u>15,000,000</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 commission at the rate of 1.5% per annum and is due to mature on 8 May 2016.
- ii) Regulatory deposit represents amount placed with Emirates NBD Bank – Riyadh Branch (the “Branch”) based on the Capital Market Authority (the “CMA”) requirements. Accordingly, the use of this deposit is subject to the CMA approval. It has an original maturity of more than three months and carries commission at the rate of 1.18% per annum (2014: 1.10% per annum). The deposit is due to mature on 31 December 2016 (2014: 31 December 2015).

6 PREPAYMENTS AND OTHER RECEIVABLES

	2015 SR	2014 SR
Prepayments	941,827	976,488
Accrued commission	84,329	-
Fees receivable	66,113	-
Other receivables	15,223	14,778
	<u>1,107,492</u>	<u>991,266</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

7 FURNITURE AND EQUIPMENT

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

Leasehold improvements	5 years	Furniture and fixtures	4 years
Office equipment and computers	4 years	Vehicles	4 years
Software	4 years		

	Leasehold improvements SR	Furniture and fixtures SR	Office equipment and computers SR	Vehicles SR	Software SR	2015 Total SR	2014 Total SR
<i>Cost:</i>							
At beginning of the year	5,150,842	1,555,368	2,215,272	77,500	385,703	9,384,685	9,267,984
Additions during the year	-	-	15,820	-	75,024	90,844	116,701
Disposals	-	-	-	(77,500)	-	(77,500)	-
At end of the year	5,150,842	1,555,368	2,231,092	-	460,727	9,398,029	9,384,685
<i>Accumulated depreciation:</i>							
At beginning of the year	5,150,326	1,553,337	2,018,041	77,500	385,703	9,184,907	8,858,369
depreciation charge for the year	516	1,492	62,672	-	4,689	69,369	326,538
Relating to disposals	-	-	-	(77,500)	-	(77,500)	-
At end of the year	5,150,842	1,554,829	2,080,713	-	390,392	9,176,776	9,184,907
<i>Net book value:</i>							
At 31 December 2015	-	539	150,379	-	70,335	221,253	199,778
At 31 December 2014	516	2,031	197,231	-	-	-	-

Emirates NBD Capital Saudi Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

8 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>2015</i> SR	<i>2014</i> SR
Shareholder	Finance income (non-regulatory)	5	84,329	-
Shareholder	Finance income	8b(ii)	157,026	558,455
(the "Bank")	Finance cost	8b(ii)	(157,026)	(558,534)
	Recharge of staff cost	8b(iii)	520,362	1,183,386
	Custody fees	8b(iv)	4,473,126	4,073,198
	Referral fees	8b(v)	161,404	112,500
	Other costs	8b(vi)	709,940	744,975
Affiliates	Referral fees	8c(i)	2,861,882	722,636

a) *Amounts due from and to related parties are presented in the balance sheet.*

i) Amounts due from related parties:

<i>Related party</i>	<i>Balances</i>	
	<i>2015</i> SR	<i>2014</i> SR
Emirates NBD Bank – Private Banking Dubai	541,235	1,814,750
Emirates NBD Capital – Dubai	-	224,326
Emirates NBD Bank – Riyadh Branch (the "Branch")	825,545	1,082,086
Emirates NBD Asset Management Limited	814,384	311,348
	<u>2,181,164</u>	<u>3,432,510</u>

ii) Amounts due to related parties:

<i>Related party</i>	<i>Balances</i>	
	<i>2015</i> SR	<i>2014</i> SR
Emirates NBD – PJSC (the "Bank")	499,711	172,685
Emirates NBD – Securities	18,608	-
	<u>518,319</u>	<u>172,685</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 59.1 million (2014: SR 22.8 million) is held in current and deposit accounts with the Branch at the balance sheet date (see notes 4 and 5).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Transactions with the Bank (continued)

ii) Subordinated loan to meet regulatory requirement

As of 31 December 2015, the Company has a subordinated loan from the Branch amounting to SR 15 million (2014: SR 15 million) in order to meet regulatory requirements. The funds received have been placed in term deposits with the Branch. The placement and the loan are both contracted at the same commission rates. The subordinated loan is for a five year term starting from 31 December 2014 and cannot be withdrawn without the prior consent of 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 0.52 million during 2015 (2014: SR 1.18 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 the Branch's behalf. The charge for 2015 amounted to SR 0.72 million (2014: SR 0.134 million).

As per the agreement with the Private Banking Group of the Branch, the Company charges custody fees on shares held on the Branch's behalf. The charge for 2015 amounted to SR 0.79 million (2014: SR 0.18 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 2015 amounted to SR 2.96 million (2014: SR 3.76 million).

v) Referral fees

The Company has entered into an agreement with Private Banking Group of the Bank in Dubai where by the Company receives referral fees on customers introduced to the Bank. The Company recorded an income of SR 0.161 million during 2015 in this respect (2014: SR 0.112 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, rental and IT maintenance are shared. The Company has been charged SR 0.71 million by the Branch during 2015 (2014: 0.74 million).

From 2014, the Bank started charging the Company an allocation of shared service cost and, in addition from 2015 the Bank also started charging royalty charges.

c) Transactions with affiliates:

i) Referral fees

The Company has entered into an agreement with an affiliate whereby the Company receives commission on assets managed by the affiliate. The Company has recorded income amounting to SR 2.86 million during 2015 (2014: SR 0.72 million).

ii) Commission from Initial Public Offering ("IPO")

This represent commission received from an affiliate for referring clients from Saudi Arabia to subscribe for IPOs in UAE during 2014. No such subscription were entered into by the Company's clients during 2015.

d) Transactions with managed fund:

The Company 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.

Emirates NBD Capital Saudi Limited
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

9 ACCRUALS AND OTHER PAYABLES

	2015 SR	2014 SR
Accrued expenses and other payables	560,542	1,348,116
Withholding tax payable	105,243	27,315
Employee related accruals	445,700	323,935
	<u>1,111,485</u>	<u>1,699,366</u>

10 ZAKAT

Charge for the year

Zakat charge for the year amounting to SR 171,861 (2014: SR 3,218,074). Zakat charge for 2014 included an adjustment relating to previous year zakat amounting to SR 3,061,447.

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

	2015 SR	2014 SR
Equity	6,379,499	10,070,099
Opening allowances and other adjustments	4,076,751	500,956
Book value of long term assets	<u>(3,635,034)</u>	<u>(4,095,889)</u>
	6,821,216	6,475,166
Adjusted profit (loss) for the year	<u>53,220</u>	<u>(210,086)</u>
Zakat base	<u>6,874,436</u>	<u>6,265,080</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:

	2015 SR	2014 SR
At the beginning of the year	3,378,483	200,000
Provided during the year	171,861	156,627
Adjustment for the previous year	-	3,061,447
Payments made during the year	<u>(158,151)</u>	<u>(39,591)</u>
At the end of the year	<u>3,392,193</u>	<u>3,378,483</u>

Status of assessments and contingencies

Zakat declarations for all years upto 2014 were submitted to the Department of Zakat and Income Tax (the "DZIT"). However, no assessments have been raised yet for the years from 2012 to 2014.

The DZIT has raised its assessment for the years 2008 to 2011 assessing additional zakat on the Company in the amount of SR 3,221,856 for the said years. The Company filed appeal against the above assessment raised by the DZIT. The Company has not yet received any response from the DZIT. However, the Company's management has provided for the assessed amount based on their best estimate of the worst case outcome.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

10 ZAKAT (continued)

The DZIT may assess similar zakat liability for the years from 2012 to 2014, however, since no assessment has been finalized by the DZIT for these years and given the fact that the Company's has filed appeal against the assessment by the DZIT for the years from 2008 to 2011, no further provision has been made in the financial statements.

11 CAPITAL

Capital consists of 115,000 shares (2014: 80,000 shares) of SR 1,000 each. The capital is distributed as follows :

Name	2015		2014	
	Number of shares	%	Number of shares	%
Emirates NBD Bank	109,250,000	95%	76,000	95%
Emirates Financial Services - Dubai	5,750,000	5%	4,000	5%

In 2013, the Partners met and resolved to increase the capital by SR 5,000,000 (5,000 shares of SR 1,000 each) through cash injection. however, the legal formalities were completed in 2014. During 2015, the Partners' met and decided to increase the capital of the Company by SR 35,000,000 through cash injection (35,000 shares of SR 1,000 each). The legal formalities in this respect have been completed.

12 STATUTORY RESERVE

As required by Saudi Arabian Regulations for Companies, 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 the capital. The reserve is not available for distribution. Due to the accumulated losses, no such transfer has yet been made.

13 REVENUE FROM BROKERAGE SERVICES, NET

	2015 SR	2014 SR
Revenue from brokerage services - net	1,610,411	2,020,077
Expense on brokerage services	(385,034)	(539,472)
	<u>1,225,377</u>	<u>1,480,605</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

14 GENERAL AND ADMINISTRATION EXPENSES

	2015	2014
	SR	SR
Salaries and employee related expenses	7,190,569	6,039,016
Repair and maintenance	1,117,097	1,034,745
Rent	709,940	869,798
Professional and consulting fees	759,901	837,489
Communication	621,170	671,837
Stock exchange charges	366,735	46,855
Broker insurance	254,103	255,193
Independent Board members' fees	240,000	-
Stationery and subscription fees	222,097	149,875
Royalty recharge expense (see note 8)	160,383	-
Utilities	163,942	167,538
Security charges	162,000	165,300
Expenses allocated from the Bank (see note 8)	166,513	172,685
Depreciation (see note 7)	69,369	326,538
Withholding tax expense	51,853	27,315
Travel	80,071	84,605
Others	72,603	24,690
	<u>12,408,346</u>	<u>10,873,479</u>

15 OTHER INCOME

	2015	2014
	SR	SR
Recharge to related parties (see note 8b(iii))	520,362	1,183,386
Reversal of excess accruals	278,744	-
Gain on disposal of furniture and equipment	38,100	-
Rental income	36,837	-
Foreign exchange gain	1,052	-
	<u>875,095</u>	<u>1,183,386</u>

16 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 did not undertake significant transactions in currencies other than Saudi Riyals, UAE Dirhams and US Dollars during the year and since Saudi Riyals and UAE Dirhams are pegged to the US Dollar therefore management believes that the Company is not exposed to any significant currency risk.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

16 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 with bank, 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 monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

17 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 deposit, amounts due from related parties and other receivables. Its financial liabilities consist of amounts due to related parties and accounts payable and accruals.

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

18 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of receivables

An estimate of the collectible amount of trade 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 furniture 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.

19 ASSETS HELD IN FIDUCIARY CAPACITY

As at 31 December 2015, client money and investments held under fiduciary capacity amounted to SR 58.6 million (2014: SR 137.4 million) and SR 1,856 million (2014: SR 1,402 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 a agreement with Beltone Asset Management, Arab Co-operation for Financial Investments Company, ENBD Asset Management Limited and ADCB – SICAV, SABAEEK Invest, and Capital Investment and Brokerage Jordan limited (the "Counterparties"). As at the year end, the Company holds SR 27.1 million (2014: SR 50.7 million) in client money and SR 289.4 million (2014: SR 41 million) investments under fiduciary capacity.

Emirates NBD Capital Saudi Limited
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

20 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:

	2015 SR	2014 SR
Capital Base:		
Tier 1 Capital	41,348,000	6,380,000
Tier 2 Capital	12,001,000	3,190,000
Total Capital Base	<u>53,349,000</u>	<u>9,570,000</u>
Minimum Capital Requirement:		
Credit risk	2,470,000	1,237,000
Operational risk	3,184,000	3,546,000
Total minimum capital required (see note (d) below)	<u>5,654,000</u>	<u>4,783,000</u>
Capital Adequacy Ratio:		
Total Capital Ratio (times)	9.43	2.00
Tier 1 Capital Ratio (times)	7.31	1.33
Surplus in the capital (see note (d) below)	47,695,000	4,787,000

- 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.

The Company discloses on an annual basis, certain information as per Pillar III of the Prudential Rules for public on the Company's website (<http://www.emiratesnbdcapital.com.sa>). However these are not subject to review or audit by the external auditors of the Company.

21 APPROVAL OF FINANCIAL STATEMENTS

The Board of the Company approved the financial statements on 21 Jumad Thani 1437H (corresponding to 30 March 2016).