

SHUAA CAPITAL SAUDI ARABIA
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

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Independent auditor's report to the shareholders of SHUAA Capital Saudi Arabia

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SHUAA Capital Saudi Arabia (the "Company") as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at December 31, 2017;
- the statement of income for the year ended December 31, 2017;
- the statement of cash flows for the year ended December 31, 2017;
- the statement of changes in shareholders' equity for the year ended December 31, 2017; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter

We draw attention to note 11.4 as stated therein, the Company submitted the zakat and income tax declarations for the years from December 31, 2008 to December 31, 2016. During 2017, the Company received an assessment from the GAZT disallowing deduction of certain expenses, which exposed the Company to additional zakat and taxes amounting to Saudi Riyals 16,976,457 for the years from December 31, 2008 to 2013 along with 1% delay penalty on zakat and unpaid taxes for each 30 days of delay calculated from due date until the date of payment. However, the Company appealed against GAZT's assessment. The Company's management and tax advisor believed that the outcome of the appeal will most likely be in favor of the Company. Accordingly, during the year ended December 31, 2017, the Company has not recorded any liability related to the aforementioned assessment.

Further, the Company's management and zakat and tax advisor believes the expected zakat and tax liability for the years from 2014 to 2017 will more likely be insignificant.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Further, in accordance with the applicable requirements of the Regulations for Companies, we report that, based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the accompanying financial statements have not been prepared and presented, in all material respects, in accordance with the requirements of the applicable requirements of the Regulations for Companies.

PricewaterhouseCoopers



Bader I. Benmohareb
License Number 471

March 27, 2018

SHUAA CAPITAL SAUDI ARABIA
(A SAUDI CLOSED JOINT STOCK COMPANY)
BALANCE SHEET
AS AT DECEMBER 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

Assets	Note	2017	2016
Current assets			
Cash and cash equivalents	4	20,356,084	71,303,226
Accounts receivable	5	-	297,347
Prepayments and other receivables	6	413,684	528,378
Due from related parties	8	37,189,946	6,884,062
Total current assets		57,959,714	79,013,013
Non-current assets			
Investment in SHUAA Wadi Al Hada Fund	7	16,782,596	15,362,277
Property and equipment	9	81,916	102,520
Total non-current assets		16,864,512	15,464,797
Total assets		74,824,226	94,477,810
Liabilities and Shareholders' equity			
Liabilities			
Current liabilities			
Accrued expenses and other payables	10	4,012,808	3,615,516
Provision for zakat and income tax	11	1,718,885	2,217,062
Total current liabilities		5,731,693	5,832,578
Non-current liability			
Employee termination benefits	12	1,825,492	1,529,524
Total liabilities		7,557,185	7,362,102
Shareholders' equity			
Share capital	13	50,000,000	75,000,000
Statutory reserve	14	4,749,394	3,204,433
Investment revaluation reserve	7	282,596	(1,137,723)
Retained earnings		12,235,051	10,048,998
Net shareholders' equity		67,267,041	87,115,708
Total liabilities and shareholders' equity		74,824,226	94,477,810

The accompanying notes on pages 7 to 16 form an integral part of these financial statements.

**SHUAA CAPITAL SAUDI ARABIA
(A SAUDI CLOSED JOINT STOCK COMPANY)
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)**

	Note	2017	2016
Income			
Fees and commission	15	26,969,024	21,432,706
Special commission income		336,375	1,919,570
Total income		<u>27,305,399</u>	<u>23,352,276</u>
Expenses			
General and administrative expenses	16	<u>(11,855,790)</u>	<u>(10,001,191)</u>
Net income for the year		<u>15,449,609</u>	<u>13,351,085</u>
Earnings per share	17	<u>2.55</u>	<u>2.67</u>

The accompanying notes on pages 7 to 16 form an integral part of these financial statements.

SHUAA CAPITAL SAUDI ARABIA
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Investment revaluation reserve	Retained earnings	Total
January 1, 2017		75,000,000	3,204,433	(1,137,723)	10,048,998	87,115,708
Net income for the year		-	-	-	15,449,609	15,449,609
Capital Reduction		(25,000,000)			-	(25,000,000)
Dividends distribution		-	-	-	(10,000,000)	(10,000,000)
Provision for zakat and income tax	11.3	-	-	-	(1,718,595)	(1,718,595)
Transferred to statutory reserve	14	-	1,544,961	-	(1,544,961)	-
Movement in investment revaluation reserve	7	-	-	1,420,319	-	1,420,319
December 31, 2017		50,000,000	4,749,394	282,596	12,235,051	67,267,041
January 1, 2016		75,000,000	1,869,324	-	15,249,697	92,119,021
Net income for the year		-	-	-	13,351,085	13,351,085
Dividends distribution		-	-	-	(15,000,000)	(15,000,000)
Provision for zakat and income tax	11.3	-	-	-	(2,216,675)	(2,216,675)
Transferred to statutory reserve	14	-	1,335,109	-	(1,335,109)	-
Movement in investment revaluation reserve	7	-	-	(1,137,723)	-	(1,137,723)
December 31, 2016		75,000,000	3,204,433	(1,137,723)	10,048,998	87,115,708

The accompanying notes on pages 7 to 16 form an integral part of these financial statements.

SHUAA CAPITAL SAUDI ARABIA
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2017	2016
Cash flows from operating activities			
Net income for the year		15,449,609	13,351,085
<u>Adjustments for non-cash changes and other items:</u>			
Depreciation	9	77,574	107,847
Provision for employee termination benefits	12	295,968	320,993
Provision for doubtful debts	5	-	50,000
<u>Changes in operating assets and liabilities:</u>			
Decrease / (increase) in accounts receivable		297,347	(203,450)
Decrease in prepayments and other receivables		114,694	386,466
Increase in due from related parties		(30,305,884)	(6,884,062)
Increase in accrued expenses and other payables		397,292	1,804,421
		<u>(13,673,400)</u>	8,933,300
Zakat and income tax paid	11.3	(2,216,772)	(2,262,687)
Employee termination benefits paid	12	-	(68,891)
Net cash (used in) / generated from operating activities		<u>(15,890,172)</u>	6,601,722
Cash flows from investing activities			
Investment in SHUAA Wadi Al Hada Fund	7	-	(6,500,000)
Purchase of property and equipment	9	(56,970)	(93,721)
Net cash used in investing activities		<u>(56,970)</u>	(6,593,721)
Cash flows from financing activities			
Dividends distribution		(10,000,000)	(15,000,000)
Decrease in capital		(25,000,000)	-
Net cash used in financing activities		<u>(35,000,000)</u>	(15,000,000)
Decrease in cash and cash equivalents		(50,947,142)	(14,991,999)
Cash and cash equivalents at beginning of the year		71,303,226	86,295,225
Cash and cash equivalents at end of the year	4	<u>20,356,084</u>	<u>71,303,226</u>
Non-cash item:			
Gain / (loss) on revaluation	7	1,420,319	(1,137,723)
Advance against subscription of units	7	-	10,000,000

The accompanying notes on pages 7 to 16 form an integral part of these financial statements.

**SHUAA CAPITAL SAUDI ARABIA
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)**

1. GENERAL

SHUAA Capital Saudi Arabia (the "Company") is a Saudi closed joint stock company registered in the Kingdom of Saudi Arabia under commercial registration number 1010243538 dated Muharram 21, 1429H (corresponding to January 30, 2008). The Company is licensed by the Capital Market Authority ("CMA") to conduct financial investment business services including underwriting of securities and other corporate finance activities, investment advisory services, asset and portfolio management and brokerage as per license of the Capital Market Authority ("CMA") numbered 37-56070, dated Safar 27, 1429H (corresponding to March 5, 2008).

The Company's head office is located at 2nd floor, Tareem Tower, P.O. Box 8181, Riyadh 11482, Kingdom of Saudi Arabia.

These financial statements were authorised for issue by the Board of Directors on March 25, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

These financial statements have been prepared under the historical cost convention on the accrual basis of accounting, and in compliance with accounting standards promulgated by Saudi Organisation for Certified Public Accountants ("SOCPA").

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, vary from the related actual results.

2.3 Segment reporting

Business segment: A business segment is group of assets, operations or entities:

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analysed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) financial information is separately available.

2.4 Foreign currency translations

(a) Reporting currency

These financial statements are presented in Saudi Riyals which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5 Fiscal year

The Company's fiscal year begins on January 1 and ends on December 31 of each Gregorian year.

**SHUAA CAPITAL SAUDI ARABIA
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)**

2.6 Cash and cash equivalents

Cash and cash equivalents include cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less.

2.7 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 Company 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 income statement 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 income statement.

2.8 Property and equipment

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

Leasehold improvements	1-5 years
Motor vehicles	4 years
Furniture and office equipment	3 years

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

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease.

2.9 Accrued expenses and other payables

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

2.10 Provisions

Provisions are recognised when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.11 Zakat and income tax

In accordance with the regulations of the General Authority of Zakat and Tax (GAZT), the Company is subject to zakat attributable to the GCC shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the equity accounts of the GCC and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalisation of final assessments are accounted for when such amounts are determined.

The Company withholds taxes in the Kingdom of Saudi Arabia on certain transactions with non-resident parties as required under Saudi Arabian Income Tax Law.

2.12 Employee termination benefits

Employee termination benefits required by Saudi Labour and Workman Law are accrued by the Company and charged to the income statement. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

**SHUAA CAPITAL SAUDI ARABIA
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2.13 Revenue recognition

Asset management fees

Fees charged for managing assets (including funds) are recognised as revenue rateably as the services are provided. Subscription fees are recognised upon subscription of an investor to the funds under management. Fund performance income is recognised at the year end, if results of the funds under management meet the annual preset target.

Development fees

Development fees are charged on a time proportionate basis over the project development period based on the projected total construction cost.

Retainer and advisory services

Retainer and advisory service fees are accrued on a time proportionate basis, as the services are rendered.

Custody fees

Custody fees are recognised as revenue on a time proportionate basis, as the services are rendered.

Placement fees

The Company recognized the revenue against professional fee on each closing date when aggregate capital commitment of Fund is raised by the Company.

Special commission income

Special commission income is accrued on an effective yield basis.

2.14 Operating leases

Rental expenses under operating leases are charged to the income statement over the period of the respective lease.

2.15 Financial instruments

Financial assets and liabilities are recognised 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 approximates their fair value. Fair value is determined on the basis of objective evidence at the balance sheet date.

2.16 Assets held under fiduciary capacity

The Company offers assets management services to its customers, which include management of certain mutual funds and investments. Such assets are not treated as assets of the Company and accordingly are not included in these financial statements.

3. RISK MANAGEMENT

The inherent risk relating to the Company's activities is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The Company is exposed to credit risk, liquidity risk, market risk (comprising special commission rate risk, foreign exchange risk and equity price risk) and is also subject to operational risk.

The Board of Directors is ultimately responsible for identifying and controlling risk relating to the Company's activities and recognises the importance of managing risk in line with shareholder risk appetite.

Authority to set Company-wide rules to manage credit, liquidity and market risk are delegated to the senior management.

3.1 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 has no significant concentration of credit risk. Cash and cash equivalents are placed with local banks with sound credit ratings. Receivables are carried net of provision for doubtful debts.

SHUAA CAPITAL SAUDI ARABIA
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

3.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The Company's aims to have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses and without materially affecting the return on capital.

The Company collates the projected cash flow and liquidity profiles of its financial assets and liabilities. It maintains a portfolio of short-term liquid assets to cover requirements, largely consisting of certain liquid placement with financial institutions. The Company uses three primary measures of liquidity including stock of liquid assets, surplus cash capital and net funding requirement. Liquid assets include cash and cash equivalents.

All liabilities (other than employee termination benefits) are contractually payable on a current basis. The following table shows an analysis of liabilities based on expected settlement.

	2017			2016		
	Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
Accrued expenses and other payables	4,012,808	-	4,012,808	3,615,516	-	3,615,516
Provision for zakat and income tax	1,718,885	-	1,718,885	2,217,062	-	2,217,062
Employee termination benefits	-	1,825,492	1,825,492	-	1,529,524	1,529,524
Total liabilities	5,731,693	1,825,492	7,557,185	5,832,578	1,529,524	7,362,102

3.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates and equity prices. The Company faces market risk due to taking positions that are exposed to special commission rate and currency movements.

The Board of Directors approves the investment guidelines to limit the Company's exposure to market risk. Within these guidelines the Board of Directors has set performance targets and allocates risk and capital Company wide and approved investment rules for each business and strategy.

(a) Special commission rate risk

The Company is subject to special commission rate risk on its special commission bearing assets. The following table demonstrates the sensitivity of the income to reasonably possible changes in special commission rates, with all other variables held constant. The sensitivity of the income is the effect of the assumed changes in special commission rates on the Company's income for one year, based on the floating rate financial assets held as at the year end. There is no impact on the Company's equity.

	2017	2016
Increase / decrease in basis points +/- 25 bps	-	+/- 162,500

(b) Foreign exchange risk

Foreign exchange risk is the risk that the value of the financial instrument will fluctuate due to change in foreign exchange rates. The Company has exposures in foreign currency as a result of its geographically diversified portfolio which is monitored by management. The table below sets out the foreign currency exposures as at December 31:

	2017	2016
UAE Dirhams	-	46,764

The foreign currency exposure is in a currency pegged to the US Dollar (as is the Saudi Riyal) and it is management's belief that any foreign currency exposure risk is minimal.

**SHUAA CAPITAL SAUDI ARABIA
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NOTES TO THE FINANCIAL STATEMENTS
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3.4 Operational risk

Operational risk is the risk of loss resulting from systems failure, human error, fraud or external events. Authority is delegated by the Board of Directors to the senior management to set the Company wide operational policies to manage the risk and control environment and meet the expectations of the Board of Directors and shareholders.

3.5 Fair value

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

3.6 Capital risk management

The primary objective of the Company's capital management is to ensure that the Company maintains strong and healthy capital structure, in order to support its business and to maximize shareholders' return.

4. CASH AND CASH EQUIVALENTS

	Note	2017	2016
Cash at banks		20,356,084	6,303,226
Short term deposits	4.1	-	65,000,000
		<u>20,356,084</u>	<u>71,303,226</u>

4.1 Short term deposits have maturities within three months from the date of placement and include a short term deposit of SAR Nil (2016: SAR 65 million) with a local bank, and carry an average special commission rate of Nil per annum (2016: 2.89% per annum).

5. ACCOUNTS RECEIVABLE

	2017	2016
Accrued special commission income	-	297,347
Accounts receivable	412,500	412,500
Provision for doubtful debt	(412,500)	(412,500)
	<u>-</u>	<u>297,347</u>

6. PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
Prepaid expenses	221,438	366,192
Receivable from employees	192,246	162,186
	<u>413,684</u>	<u>528,378</u>

7. INVESTMENT IN SHUAA WADI AL HADA FUND

During 2016, the company invested SAR 16.5 million in SHUAA Wadi Al Hada Fund, a real estate fund. Details of investment are as follows:

	Note	2017	2016
Opening		15,362,277	-
Addition / transfer		-	16,500,000
Gain / (loss) on revaluation	7.1	1,420,319	(1,137,723)
Closing		<u>16,782,596</u>	<u>15,362,277</u>

**SHUAA CAPITAL SAUDI ARABIA
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts in Saudi Riyals unless otherwise stated)**

7.1 The movement for fair value valuation for the year ended December 31 as the following:

	2017	2016
Opening	(1,137,723)	-
Gain / (loss) on revaluation	1,420,319	(1,137,723)
Closing	<u>282,596</u>	<u>(1,137,723)</u>

8. RELATED PARTIES' TRANSACTIONS

In the ordinary course of its activities, the Company transacts business with related parties. The balances outstanding with the related parties as at December 31 are as follows:

	Note	2017	2016
SHUAA Capital PSC - Parent Company			
Expenses paid on behalf of the Company	10	-	46,764
Investment in SHUAA Wadi Al Hada Fund	7	<u>16,782,596</u>	15,362,277
Due from related parties			
SHUAA Capital PSC (Parent)	(a)	13,000,000	-
SHUAA Saudi Hospitality Fund I (Affiliate)		18,557,778	2,754
Jeddah Centro Fund I (Affiliate)		4,341,064	2,156,932
SHUAA Wadi Al Hada Fund (Affiliate)		1,291,104	4,724,376
		<u>37,189,946</u>	<u>6,884,062</u>

(a). The amount represents receivable from SHUAA Capital PSC is in relation to the payment made on behalf of the company against additional land collateral for SHUAA Wadi Al Hada Fund, in case of SHUAA Saudi Hospitality Fund I the amount represents management fees and other expenses paid by the Company on behalf of the fund, in case of Jeddah Centro Fund I related to management fee and other expenses paid on behalf of the fund and in case of SHUAA Wadi Al Hada Fund in relation to management fee and other expenses paid on behalf of the fund.

The transactions with the related parties recorded in the income statement are as follows:

	2017	2016
Asset management fees	20,037,774	15,804,006
Placement fees	1,100,000	4,698,700
Arrangement fees	5,482,500	750,000
Special commission income	-	654,785
Independent directors' fees	374,000	500,000

9. PROPERTY AND EQUIPMENT

	Leasehold improvements	Motor vehicles	Furniture and office equipment	2017	2016
Cost					
January 1	553,787	211,049	4,644,208	5,409,044	5,315,323
Additions during the year	-	-	56,970	56,970	93,721
December 31,	<u>553,787</u>	<u>211,049</u>	<u>4,701,178</u>	<u>5,466,014</u>	<u>5,409,044</u>
Accumulated depreciation					
January 1	494,498	211,047	4,600,979	5,306,524	5,198,677
Charge for the year	42,181	-	35,393	77,574	107,847
December 31,	<u>536,679</u>	<u>211,047</u>	<u>4,636,372</u>	<u>5,384,098</u>	<u>5,306,524</u>
Net book value					
December 31, 2017	<u>17,108</u>	<u>2</u>	<u>64,806</u>	<u>81,916</u>	<u>-</u>
December 31, 2016	<u>59,289</u>	<u>2</u>	<u>43,229</u>	<u>-</u>	<u>102,520</u>

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10. ACCRUED EXPENSES AND OTHER PAYABLES

	Note	2017	2016
Accrued expenses		3,997,803	3,302,845
Payable to suppliers		15,005	265,907
Due to a related party	8	-	46,764
		<u>4,012,808</u>	<u>3,615,516</u>

10.1 Accrued expenses

	2017	2016
Accrued employee bonus	3,234,791	2,431,002
Independent directors' fees	374,000	500,000
Professional fees	361,000	350,363
Pension	28,012	21,480
Accrued expenses	<u>3,997,803</u>	<u>3,302,845</u>

11. PROVISION FOR ZAKAT AND INCOME TAX

11.1 Zakat

The significant components of the Company's approximate zakat base for the year ended December 31, which are subject to adjustments under income tax and zakat regulations, are principally comprised of the following:

	Note	2017	2016
Shareholders' equity at beginning of the year		53,253,431	77,119,021
Adjusted net income	11.2	15,540,964	13,393,835
Provisions at beginning of the year		1,942,024	1,639,922
Property and equipment, as adjusted		(2,881,280)	(3,180,528)
Estimated zakat base		<u>67,855,139</u>	<u>88,972,250</u>
GCC shareholders' share of estimated zakat base at 96.4543%		<u>65,449,199</u>	<u>85,817,561</u>
Estimated zakat liability - attributable to GCC shareholders		<u>1,636,230</u>	<u>2,145,439</u>

Zakat is calculated at 2.5 percent of higher of the estimated zakat base attributable to GCC shareholders or adjusted net income.

11.2 Income tax

	2017	2016
Net income for the year	15,449,609	13,351,085
Temporary differences:		
Depreciation, net	(274,965)	(291,816)
Employee termination benefits, net	295,968	252,102
Provision for doubtful debt	-	50,000
Others, net	70,352	32,464
Adjusted net income	<u>15,540,964</u>	<u>13,393,835</u>
Share of non-GCC shareholders in adjusted net income at 3.5457%	<u>551,036</u>	<u>474,905</u>
Less: Non-GCC share of provisions utilised during the year	<u>(137,759)</u>	<u>(118,726)</u>
Share of non-GCC shareholders in adjusted net income	<u>413,277</u>	<u>356,179</u>
Estimated income tax liability - attributable to non-GCC shareholders at 20%	<u>82,655</u>	<u>71,236</u>

Income tax is calculated at 20% of the adjusted net income attributable to the non-GCC shareholders.

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11.3 Movement in provision for zakat and income tax

	2017	2016
January 1	2,217,062	2,263,074
Provision for the year	1,718,595	2,216,675
Payments	(2,216,772)	(2,262,687)
December 31	<u>1,718,885</u>	<u>2,217,062</u>

11.4 Status of assessments

The Company has filed its zakat and income tax returns up to the year ended December 31, 2016 which are still under review by the GAZT. The Company is in the process of filing its return for the year ended December 31, 2017. The company has not applied for a final assessment yet.

The Company submitted the zakat and income tax declarations for the years from December 31, 2008 to December 31, 2016. During 2017, the Company received an assessment from the GAZT disallowing deduction of certain expenses, which exposed the Company to additional zakat and taxes amounting to Saudi Riyals 16,976,457 for the years from December 31, 2008 to 2013 along with 1% delay penalty on zakat and unpaid taxes for each 30 days of delay calculated from due date until the date of payment. However, the Company appealed against GAZT's assessment. The Company's management and tax advisor believed that the outcome of the appeal will most likely be in favor of the Company. Accordingly, during the year ended December 31, 2017, the Company has not recorded any liability related to the aforementioned assessment.

Further, the Company's management and zakat and tax advisor believes the expected zakat and tax liability for the years from 2014 to 2017 will more likely be insignificant.

12. EMPLOYEE TERMINATION BENEFITS

	2017	2016
January 1	1,529,524	1,277,422
Provisions for the year	295,968	320,993
Payments	-	(68,891)
December 31	<u>1,825,492</u>	<u>1,529,524</u>

13. SHARE CAPITAL

Shareholders	Holding	No. of shares	Amount
SHUAA Capital PSC	99.6%	4,980,000	49,800,000
SHUAA 1 Commercial Broker LLC.	0.1%	5,000	50,000
SHUAA 2 Commercial Broker LLC.	0.1%	5,000	50,000
SHUAA 3 Commercial Broker LLC.	0.1%	5,000	50,000
SHUAA 4 Commercial Broker LLC.	0.1%	5,000	50,000
	<u>100%</u>	<u>5,000,000</u>	<u>50,000,000</u>

During the year, the Company's General Assembly approved the Company's capital decrease from Saudi Riyals 75 million to Saudi Riyals 50 million, which was proposed by the Company's Board of Directors on March 7, 2017, and authorized by the Capital Market Authority (CMA) on May 3, 2017 and by Ministry of Commerce and Investment on June 8, 2017. The legal procedure related to this decrease has been finalized during 2017.

Share capital consists of 5 million shares as of December 31, 2017 (December 31, 2016: 7.5 million shares). Each share has a book value of Saudi Riyals 10 as of December 31, 2017 (December 31, 2016: Saudi Riyals 10).

14. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. During the year, the Company transferred SAR 1,544,961 (2016: SAR 1,335,109) to the statutory reserve. This reserve is not available for distribution.

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15. FEES AND COMMISSION

	2017	2016
Asset management fees	20,037,774	15,804,006
Arrangement fees	5,482,500	750,000
Placement Fee	1,268,750	4,698,700
Custody fees	180,000	180,000
	<u>26,969,024</u>	<u>21,432,706</u>

16. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2017	2016
Salaries and other employee-related benefits		8,283,753	6,574,136
Professional fees		1,693,365	1,297,747
Independent directors' fees	8	374,000	500,000
Travel		354,220	409,790
Rental		327,529	329,193
Maintenance and support		88,400	98,400
Communication		85,620	141,797
Depreciation	9	77,574	107,847
Provision for doubtful debts		-	50,000
Others		571,329	492,281
		<u>11,855,790</u>	<u>10,001,191</u>

17. EARNINGS PER SHARE

Earnings per share for the year is calculated by dividing the net income for the year amounting to SAR 15.449 million (2016: SAR 13.351 million) by the weighted average shares outstanding during the year.

18. SEGMENT INFORMATION

The Company operates solely in the Kingdom of Saudi Arabia. The Company offers real estate fund management services and currently manages four real estate funds. The Company currently pursues a range of real estate investment opportunities offering risk adjusted returns. The Company strategy is focused on real estate asset management service only and all its operations is allocated to this business and all other business lines are not active.

19. CAPITAL ADEQUACY

CMA has issued Prudential Regulations (the "Rules") dated December 30, 2012 (corresponding to Safar 17, 1434H) pursuant to Royal Decree No. M/30 dated 2/6/1424H. According to the Rules, CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under Pillar I. In accordance with this methodology, the Company has calculated its minimum capital requirement and capital adequacy ratios as follows:

	2017	2016
Capital base:		
Tier 1 capital	67,267,041	87,115,708
Tier 2 capital	-	-
Total capital base	<u>67,267,041</u>	<u>87,115,708</u>
Minimum capital requirement:		
Market risk	-	935
Credit risk	32,830,432	11,823,819
Operational risk	3,289,520	2,824,538
Total minimum capital required	<u>36,119,952</u>	<u>14,649,292</u>
Capital Adequacy Ratio:		
Surplus in capital	31,147,089	72,466,416
Total Capital Ratio (times)	<u>1.86</u>	<u>5.95</u>

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- (a) The above information has been extracted from the Capital Adequacy Model as submitted to CMA.
- (b) Capital base of the Company comprises of:
 - Tier 1 capital consists of paid-up share capital, retained earnings, share premium (if any), reserves excluding revaluation reserves.
 - Tier 2 capital consists of subordinated loans, cumulative preference shares and revaluation reserves
- (c) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in the part 3 of the Prudential Rules issued by the CMA.
- (d) 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.

20. ASSETS HELD UNDER FIDUCIARY CAPACITY

These represent net assets of funds under management amounting to SAR 874 million (2016: SAR 764.09 million). Consistent with the Company's accounting policy, such balances are not included in the Company's financial statements.

21. COMPARATIVE FIGURES

Certain figures for 2016 have been reclassified to conform to the presentation in the current year.