

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

FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

March 16, 2017

To the shareholders of SHUAA Capital Saudi Arabia
(A Saudi Closed Joint Stock Company)

Scope of audit

We have audited the accompanying balance sheet of SHUAA Capital Saudi Arabia (the "Company") as of December 31, 2016 and the related income statement, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and the notes from (1) to (22) which form an integral part of the financial statements. These financial statements, which were prepared by the Company in accordance with the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Company's management. 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 Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Company; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

PricewaterhouseCoopers

By: _____


Bader I. Benmohareb
License Number 471

SHUAA CAPITAL SAUDI ARABIA
(A SAUDI CLOSED JOINT STOCK COMPANY)
BALANCE SHEET
AS AT DECEMBER 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

Assets	Note	2016	2015
Current assets			
Cash and cash equivalents	4	71,303,226	86,295,225
Accounts receivable	5	297,347	143,897
Prepayments and other receivables	6	528,378	914,844
Due from related parties	8	6,884,062	-
Advance against subscription in fund	7	-	10,000,000
Total current assets		79,013,013	97,353,966
Non-current assets			
Investment in SHUAA Wadi Al Hada Fund	7	15,362,277	-
Property and equipment	9	102,520	116,646
Total assets		94,477,810	97,470,612
Liabilities			
Current liabilities			
Accrued expenses and other payables	10	3,615,516	1,811,095
Provision for zakat and income tax	11	2,217,062	2,263,074
Total current liabilities		5,832,578	4,074,169
Non-current liability			
Employee termination benefits	12	1,529,524	1,277,422
Total liabilities		7,362,102	5,351,591
Shareholders' equity			
Share capital	13	75,000,000	75,000,000
Statutory reserve	14	3,204,433	1,869,324
Investment revaluation reserve	7	(1,137,723)	-
Retained earnings		10,048,998	15,249,697
Total shareholders' equity		87,115,708	92,119,021
Total liabilities and shareholders' equity		94,477,810	97,470,612

The accompanying notes 1 to 22 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, 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2016	2015
Income			
Fees and commission	15	21,432,706	12,612,945
Special commission income		1,919,570	2,520,541
Total income		23,352,276	15,133,486
Expenses			
General and administrative expenses	16	(10,001,191)	(7,349,120)
Net income for the year		13,351,085	7,784,366
Earnings per share	17	1.78	1.04

The accompanying notes 1 to 22 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, 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Investment revaluation reserve	Retained earnings	Total
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
January 1, 2015		75,000,000	1,090,887	-	10,506,842	86,597,729
Net income for the year		-	-	-	7,784,366	7,784,366
Provision for zakat and income tax	11.3	-	-	-	(2,263,074)	(2,263,074)
Transferred to statutory reserve	14	-	778,437	-	(778,437)	-
December 31, 2015		75,000,000	1,869,324	-	15,249,697	92,119,021

The accompanying notes 1 to 22 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, 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2016	2015
Cash flows from operating activities			
Net income for the year		13,351,085	7,784,366
<u>Adjustments for non-cash changes and other items:</u>			
Depreciation	9	107,847	114,484
Provision for employee termination benefits	12	320,993	192,047
Provision for doubtful debts	5	50,000	-
<u>Changes in operating assets and liabilities:</u>			
(Increase) / decrease in accounts receivable		(203,450)	183,070
(Increase) / decrease in prepayments and other receivables		386,466	(345,080)
Increase in due from related parties		(6,884,062)	-
Increase in accrued expenses and other payables		1,804,421	907,015
		<u>8,933,300</u>	<u>8,835,902</u>
Zakat and income tax paid	11.3	(2,262,687)	(2,136,043)
Employee termination benefits paid	12	(68,891)	(217,932)
Net cash generated from operating activities		<u>6,601,722</u>	<u>6,481,927</u>
Cash flows from investing activities			
Advance against subscription of units	7	-	(10,000,000)
Investment in SHUAA Wadi Al Hada Fund	7	(6,500,000)	-
Purchase of property and equipment	9	(93,721)	(8,150)
Net cash used in investing activities		<u>(6,593,721)</u>	<u>(10,008,150)</u>
Cash flows from financing activity			
Dividends distribution		(15,000,000)	-
Net cash used in financing activity		<u>(15,000,000)</u>	<u>-</u>
Decrease in cash and cash equivalents		<u>(14,991,999)</u>	<u>(3,526,223)</u>
Cash and cash equivalents at beginning of the year		<u>86,295,225</u>	<u>89,821,448</u>
Cash and cash equivalents at end of the year	4	<u>71,303,226</u>	<u>86,295,225</u>
Non-cash item:			
Loss on revaluation	7	1,137,723	-
Advance against subscription of units	7	10,000,000	-

The accompanying notes 1 to 22 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, 2016
(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 7, 2017.

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.

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.

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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.

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.

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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.

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.

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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.

	2016			2015		
	Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
Accrued expenses and other payables	3,615,516	-	3,615,516	1,811,095	-	1,811,095
Provision for zakat and income tax	2,217,062	-	2,217,062	2,263,074	-	2,263,074
Employee termination benefits	-	1,529,524	1,529,524	-	1,277,422	1,277,422
Total liabilities	5,832,758	1,529,524	7,362,102	4,074,169	1,277,422	5,351,591

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.

	2016	2015
Increase / decrease in basis points +/- 25 bps	<u>+/- 162,500</u>	<u>+/- 190,000</u>

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:

	2016	2015
UAE Dirhams	<u>46,764</u>	<u>46,764</u>

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.

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.

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3.5 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	2016	2015
Cash at banks		6,303,226	10,295,225
Short term deposits	4.1	<u>65,000,000</u>	<u>76,000,000</u>
		<u>71,303,226</u>	<u>86,295,225</u>

4.1 Short term deposits have maturities within three months from the date of placement and include a short term deposit of SAR 65 million (2015: 16 million) with a local bank and a short term deposit with a financial institution (affiliated –note 8) of Nil (2015: 60 million), and carry an average special commission rate of 2.89% per annum (2015: 3.62% per annum).

5. ACCOUNTS RECEIVABLE

	2016	2015
Accrued special commission income	297,347	93,897
Accounts receivable	412,500	412,500
Provision for doubtful debt	<u>(412,500)</u>	<u>(362,500)</u>
	<u>297,347</u>	<u>143,897</u>

6. PREPAYMENTS AND OTHER RECEIVABLES

	2016	2015
Receivable from a fund under formation	-	546,219
Prepaid expenses	366,192	219,615
Receivable from employees	<u>162,186</u>	<u>149,010</u>
	<u>528,378</u>	<u>914,844</u>

7. INVESTMENT IN SHUAA WADI AL HADA

On February 1, 2016, SHUAA Wadi Al Hada Fund was established, the Company transferred the advanced amount of SAR 10 million for subscription in SHUAA Wadi Al Hada Fund, a real estate fund which was under formation and during the year same amount was transferred to Investment in fund and further investment was also made amounting to SAR 6.5 million. Details of investment are as follows:

	2016	2015
Opening	-	-
Addition / Transfer	16,500,000	-
Disposal	-	-
Loss on revaluation	<u>(1,137,723)</u>	-
Closing	<u>15,362,277</u>	-

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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	2016	2015
SHUAA Capital PSC - Parent Company			
Expenses paid on behalf of the Company	10	<u>46,764</u>	46,764
Investment in SHUAA Wadi Al Hada Fund	7	<u>15,362,277</u>	-
Gulf Finance Corporation PJSC - Affiliate			
Short term deposit	4	-	60,000,000
Accrued special commission income		-	<u>73,352</u>
		<u>-</u>	<u>60,073,352</u>
SHUAA Saudi Hospitality Fund I (Affiliate)		<u>2,754</u>	-
SHUAA Wadi Al Hada Fund (Affiliate)		<u>4,724,376</u>	-
Jeddah Centro Fund I (Affiliate)		<u>2,156,932</u>	-
		<u>6,884,062</u>	-

The amount represents receivable from SHUAA Wadi Al Hada Fund, a real estate fund in relation to management fee, 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 Saudi Hospitality Fund I the amount represents petty cash expenses paid by the Company.

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

	2016	2015
Asset management fees	15,804,006	7,837,342
Placement fees	4,698,700	-
Arrangement fees	750,000	588,000
Special commission income	654,785	2,400,000
Independent directors' fees	500,000	700,000
Development fees	-	1,959,260
Custody fees	-	498,288

9. PROPERTY AND EQUIPMENT

	Leasehold improvements	Motor vehicles	Furniture and office equipment	2016	2015
Cost					
January 1	506,092	211,049	4,598,182	5,315,323	5,307,173
Additions during the year	47,695	-	46,026	93,721	8,150
December 31	<u>553,787</u>	<u>211,049</u>	<u>4,644,208</u>	5,409,044	5,315,323
Accumulated depreciation					
January 1	436,763	175,807	4,586,107	5,198,677	5,084,193
Charge for the year	57,735	35,240	14,872	107,847	114,484
December 31	<u>494,498</u>	<u>211,047</u>	<u>4,600,979</u>	5,306,524	5,198,677
Net book value					
December 31, 2016	<u>59,289</u>	<u>2</u>	<u>43,229</u>	102,520	-
December 31, 2015	<u>69,329</u>	<u>35,242</u>	<u>12,075</u>	-	116,646

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

10. ACCRUED EXPENSES AND OTHER PAYABLES

	Note	2016	2015
Accrued expenses		3,302,845	1,720,459
Due to a related party	8	46,764	46,764
Payable to suppliers		265,907	43,872
		<u>3,615,516</u>	<u>1,811,095</u>

10.1 Accrued expenses

	2016	2015
Professional fees	157,000	108,000
Pension	21,480	22,305
Independent directors' fees	500,000	700,000
Other expenses	2,624,365	890,154
Accrued expenses	<u>3,302,845</u>	<u>1,720,459</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	2016	2015
Shareholders' equity at beginning of the year		77,119,021	86,597,729
Adjusted net income	11.2	13,393,835	7,427,252
Provisions at beginning of the year		1,639,922	1,665,807
Property and equipment, as adjusted		<u>(3,180,528)</u>	<u>(3,478,320)</u>
Estimated zakat base		88,972,250	92,212,468
GCC shareholders' share of estimated zakat base at 96.4543%		<u>85,817,561</u>	<u>88,942,891</u>
Estimated zakat liability - attributable to GCC shareholders		<u>2,145,439</u>	<u>2,223,572</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

	2016	2015
Net income for the year	13,351,085	7,784,366
Temporary differences:		
Depreciation, net	(291,816)	(334,765)
Employee termination benefits, net	252,102	(25,885)
Provision for doubtful debt	50,000	-
Others, net	32,464	3,536
Adjusted net income	<u>13,393,835</u>	<u>7,427,252</u>
Share of non-GCC shareholders in adjusted net income at 3.5457%	474,905	263,348
Less: Non-GCC share of provisions utilised during the year	<u>(118,726)</u>	<u>(65,837)</u>
Share of non-GCC shareholders in adjusted net income	<u>356,179</u>	<u>197,511</u>
Estimated income tax liability - attributable to non-GCC shareholders at 20%	<u>71,236</u>	<u>39,502</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

	2016	2015
January 1	2,263,074	2,136,043
Provision for the year	2,216,675	2,263,074
Payments	<u>(2,262,687)</u>	<u>(2,136,043)</u>
December 31	<u>2,217,062</u>	<u>2,263,074</u>

11.4 Status of assessments

The Company has filed its zakat and income tax returns up to the year ended December 31, 2015 which are still under review by the GAZT. The Company is in the process of filing its return for the year ended December 31, 2016.

12. EMPLOYEE TERMINATION BENEFITS

	2016	2015
January 1	1,277,422	1,303,307
Provisions for the year	320,993	192,047
Payments	<u>(68,891)</u>	<u>(217,932)</u>
December 31	<u>1,529,524</u>	<u>1,277,422</u>

13. SHARE CAPITAL

The Company's authorised, issued and fully paid up share capital is 7.5 million shares of SAR 10 each.

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 1,335,109 (2015: SAR 778,437) to the statutory reserve. This reserve is not available for distribution.

15. FEES AND COMMISSION

	2016	2015
Asset management fees	15,804,006	7,837,342
Placement Fee	4,698,700	-
Custody fees	180,000	741,904
Arrangement fees	750,000	588,000
Retainer and advisory fees	-	1,486,439
Development fees	-	1,959,260
	<u>21,432,706</u>	<u>12,612,945</u>

16. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2016	2015
Salaries and other employee-related benefits		6,574,136	5,101,122
Professional fees		1,297,747	240,362
Independent directors' fees	8	500,000	700,000
Travel		409,790	362,637
Rental		329,193	173,842
Communication		141,797	109,667
Depreciation	9	107,847	114,484
Maintenance and support		98,400	55,729
Provision for doubtful debts		50,000	-
Others		492,281	491,277
		<u>10,001,191</u>	<u>7,349,120</u>

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17. EARNINGS PER SHARE

Earnings per share for the year is calculated by dividing the net income for the year amounting to SAR 13.351 million (2015: SAR 7.784 million) by the 7.5 million 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. 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.

20. 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:

	Note	2016	2015
Capital base:			
Tier 1 capital		87,115,708	92,119,021
Tier 2 capital		-	-
Total capital base		87,115,708	92,119,021
Minimum capital requirement:			
Market risk		935	1,000
Credit risk		11,823,819	9,757,546
Operational risk		2,824,538	2,543,600
Total minimum capital required		14,649,292	12,302,146
Capital Adequacy Ratio:			
Surplus in capital		72,466,416	79,816,875
Total Capital Ratio (times)		5.95	7.49

- 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.
- e) The Company is required to disclose the prescribed information as required under Pillar III of the Rules on the Company website (www.shuaacapital.com.sa). However, such information is not subject to review or audit by the external auditors of the Company.

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21. ASSETS HELD UNDER FIDUCIARY CAPACITY

These represent net assets of funds under management amounting to SAR 764.09 million (2015: SAR 327.31 million). Consistent with the Company's accounting policy, such balances are not included in the Company's financial statements.

22. COMPARATIVE FIGURES

Certain figures for 2015 have been reclassified to conform to the presentation in the current year.