

SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015

**SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2015**

INDEX	Page
Auditors' report	1
Balance sheet	2
Income statement	3
Statement of changes in shareholders' equity	4
Statement of cash flows	5
Notes to the financial statements	6 - 15



INDEPENDENT AUDITORS' REPORT

March 14, 2016

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, 2015 and the related income statement, statement of cash flows and statement of changes in shareholders' equity for the year then ended, and the notes from (1) to (21) which form an integral part of the financial statements. These financial statements, which were prepared by the Company in accordance with Article 123 of 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, 2015 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

A handwritten signature in blue ink, appearing to be 'Bader I. Benmohareb', written over a horizontal line.

By: _____
Bader I. Benmohareb
License Number 471

SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)
BALANCE SHEET
AS AT DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

Assets	Notes	2015	2014
Current assets			
Cash and cash equivalents	4	86,295,225	89,821,448
Accounts receivable		143,897	326,967
Prepayments and other receivables	5	914,844	569,764
Advance against subscription in fund	6	10,000,000	-
Total current assets		97,353,966	90,718,179
Non-current asset			
Property and equipment	8	116,646	222,980
Total assets		97,470,612	90,941,159
Liabilities			
Current liabilities			
Accrued expenses and other payables	9	1,811,095	904,080
Provision for zakat and income tax	10	2,263,074	2,136,043
Total current liabilities		4,074,169	3,040,123
Non-current liability			
Employee termination benefits	11	1,277,422	1,303,307
Total liabilities		5,351,591	4,343,430
Shareholders' equity			
Share capital	12	75,000,000	75,000,000
Statutory reserve	13	1,869,324	1,090,887
Retained earnings		15,249,697	10,506,842
Total shareholders' equity		92,119,021	86,597,729
Total liabilities and shareholders' equity		97,470,612	90,941,159

The accompanying notes 1 to 21 form an integral part of these financial statements.

SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	<u>2015</u>	<u>2014</u>
Income			
Fees and commission	14	12,612,945	15,335,430
Special commission income		2,520,541	2,573,622
Realised gain from disposal of held for trading investment		-	95,651
Total income		<u>15,133,486</u>	<u>18,004,703</u>
Expenses			
General and administrative expenses	15	7,349,120	7,095,837
Net income for the year		<u>7,784,366</u>	<u>10,908,866</u>
Earnings per share	16	<u>1.04</u>	<u>0.78</u>

The accompanying notes 1 to 21 form an integral part of these financial statements.

SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Share capital	Statutory reserve	Other reserves	Retained earnings	Total
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	10	-	-	-	(2,263,074)	(2,263,074)
Transferred to statutory reserve	13	-	778,437	-	(778,437)	-
December 31, 2015		75,000,000	1,869,324	-	15,249,697	92,119,021
January 1, 2014		150,000,000	-	17,608,145	(89,769,660)	77,838,485
Capital reduction	12	(75,000,000)	-	-	75,000,000	-
Accumulated losses offset with other reserves		-	-	(17,608,145)	17,608,145	-
Net income for the year		-	-	-	10,908,866	10,908,866
Provision for zakat and income tax	10	-	-	-	(2,149,622)	(2,149,622)
Transferred to statutory reserve	13	-	1,090,887	-	(1,090,887)	-
December 31, 2014		75,000,000	1,090,887	-	10,506,842	86,597,729

The accompanying notes 1 to 21 form an integral part of these financial statements.

SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2015	2014
Cash flows from operating activities			
Net income for the year		7,784,366	10,908,866
<u>Adjustments for non-cash changes and other items:</u>			
Depreciation	8	114,484	218,393
Provision for employee termination benefits	11	192,047	211,873
Realised gain from disposal of held for trading investments		-	(95,651)
<u>Changes in operating assets and liabilities:</u>			
Decrease / (increase) in accounts receivable		183,070	(188,767)
(Increase) / decrease in prepayments and other receivables		(345,080)	19,889
Increase / (decrease) in accrued expenses and other payables		907,015	(1,075,007)
		8,835,902	9,999,596
Zakat and income tax paid	10.3	(2,136,043)	(1,892,544)
Employee termination benefits paid	11	(217,932)	-
Net cash generated from operating activities		6,481,927	8,107,052
Cash flows from investing activities			
Advance against subscription of units	6	(10,000,000)	-
Purchase of property and equipment	8	(8,150)	(12,922)
Proceeds from held for trading investments		-	200,627
Purchase of held for trading investments		-	(104,976)
Net cash (utilised in) / from investing activities		(10,008,150)	82,729
(Decrease) / increase in cash and cash equivalents		(3,526,223)	8,189,781
Cash and cash equivalents at beginning of the year		89,821,448	81,631,667
Cash and cash equivalents at end of the year	4	86,295,225	89,821,448

The accompanying notes 1 to 21 form an integral part of these financial statements

**SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(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 8, 2016.

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.

SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

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 Payables 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.

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 Department of Zakat and Income Tax ("DZIT"), 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.

**SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)**

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.

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.

SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

3. RISK MANAGEMENT (Continued)

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.

	2015			2014		
	Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
Accrued expenses and other payables	1,811,095	-	1,811,095	904,080	-	904,080
Provision for zakat and income tax	2,263,074	-	2,263,074	2,136,043	-	2,136,043
Employee termination benefits	-	1,277,422	1,277,422	-	1,303,307	1,303,307
Total liabilities	4,074,169	1,277,422	5,351,591	3,040,123	1,303,307	4,343,430

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.

	2015	2014
Increase / decrease in basis points +/- 25 bps	+/- 190,000	+/- 150,000

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:

	2015	2014
UAE Dirhams	46,764	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
(SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

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 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	2015	2014
Banks balances		10,295,225	29,821,448
Short term deposits	4.1	76,000,000	60,000,000
		<u>86,295,225</u>	<u>89,821,448</u>

4.1 Short term deposits have maturities within three months from the date of placement and include a short term deposit of SAR 16.0 million (2014: Nil) with a local bank and a short term deposit with a financial institution (affiliate - note 7) of SAR 60.0 million (2014: SAR 60.0 million), and carry an average special commission rate of 3.62% per annum (2014: 3.2% per annum).

5. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2015	2014
Receivable from a fund under formation	5.1	546,219	80,000
Prepaid expenses		219,615	217,078
Receivable from employees		149,010	272,686
		<u>914,844</u>	<u>569,764</u>

5.1 The amount represents receivable from SHUAA Wadi Al Hada Fund, a real estate fund under formation, and relates to pre-operating expenses incurred by the Company on its behalf. This fund will be managed by the Company (note 6).

6. ADVANCE AGAINST SUBSCRIPTION IN FUND

During the year, the Company advanced an amount of SAR 10 million for subscription in SHUAA Wadi Al Hada Fund, a real estate fund under formation which will be managed by the Company.

7. 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	2015	2014
Gulf Finance Corporation PJSC - Affiliate			
Short term deposit	4	60,000,000	60,000,000
Accrued special commission income		73,352	73,406
		<u>60,073,352</u>	<u>60,073,406</u>
SHUAA Capital PSC - Parent Company			
Expenses paid on behalf of the Company	9	46,764	46,764

SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

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

	2015	2014
Asset management fees	7,837,342	9,090,612
Special commission income	2,400,000	2,400,000
Development fees	1,959,260	4,584,758
Arrangement fees	588,000	490,250
Custody fees	498,288	625,000
Independent directors' fees	700,000	420,000

8. PROPERTY AND EQUIPMENT

	Leasehold improvements	Motor vehicles	Furniture and office equipment	2015	2014
Cost					
January 1	506,092	211,049	4,590,032	5,307,173	5,294,251
Additions during the year	-	-	8,150	8,150	12,922
December 31	<u>506,092</u>	<u>211,049</u>	<u>4,598,182</u>	<u>5,315,323</u>	<u>5,307,173</u>
Accumulated depreciation					
January 1	380,959	123,045	4,580,189	5,084,193	4,865,800
Charge for the year	55,804	52,762	5,918	114,484	218,393
December 31	<u>436,763</u>	<u>175,807</u>	<u>4,586,107</u>	<u>5,198,677</u>	<u>5,084,193</u>
Net book value					
December 31, 2015	<u>69,329</u>	<u>35,242</u>	<u>12,075</u>	<u>116,646</u>	-
December 31, 2014	<u>125,134</u>	<u>88,004</u>	<u>9,842</u>	-	<u>222,980</u>

9. ACCRUED EXPENSES AND OTHER PAYABLES

	Note	2015	2014
Accrued expenses		1,720,459	820,200
Due to a related party	7	46,764	46,764
Payable to suppliers		43,872	37,116
		<u>1,811,095</u>	<u>904,080</u>

10. ZAKAT AND INCOME TAX

10.1 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	2015	2014
Shareholders' equity at beginning of the year		86,597,729	77,838,485
Adjusted net income	10.2	7,427,252	10,822,542
Provisions at beginning of the year		1,665,807	1,453,934
Property and equipment, as adjusted		<u>(3,478,320)</u>	<u>(3,919,419)</u>
Estimated zakat base		<u>92,212,468</u>	<u>86,195,542</u>
GCC shareholders' share of estimated zakat base at 96.4543%		<u>88,942,891</u>	<u>83,139,307</u>
Estimated zakat liability - attributable to GCC shareholders		<u>2,223,572</u>	<u>2,078,483</u>

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

SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

10.2 Income tax

	2015	2014
Net income for the year	7,784,366	10,908,865
Temporary differences:		
Depreciation, net	(334,765)	(300,675)
Employee termination benefits, net	(25,885)	211,873
Others, net	3,536	2,479
Adjusted net income	7,427,252	10,822,542
Share of non-GCC shareholders in adjusted net income at 3.5457%	263,348	383,735
Less: Non-GCC share of provisions utilised during the year	(65,837)	(95,934)
Share of non-GCC shareholders in adjusted net income	197,511	287,801
Estimated income tax liability - attributable to non-GCC shareholders at 20%	39,502	57,560

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

10.3 Movement in provision for zakat and income tax

	2015	2014
January 1	2,136,043	1,878,965
Provision		
- Current year	2,263,074	2,136,043
- Prior year	-	13,579
	2,263,074	2,149,622
Payments	(2,136,043)	(1,892,544)
December 31	2,263,074	2,136,043

10.4 Status of assessments

The Company has filed its zakat and income tax returns up to the year ended December 31, 2014 which are still under review by the DZIT. The Company is in the process of filing its return for the year ended December 31, 2015.

11. EMPLOYEE TERMINATION BENEFITS

	2015	2014
January 1	1,303,307	1,091,434
Provisions for the year	192,047	211,873
Payments	(217,932)	-
December 31	1,277,422	1,303,307

12. SHARE CAPITAL

The Company's authorised, issued and fully paid up share capital was 15 million shares of SAR 10 each. During 2014, the extra ordinary general assembly meeting held in Riyadh on Muharram 16, 1436 H (corresponding to November 9, 2014) approved the reduction of the share capital from SAR 150 million to SAR 75 million by cancelling 7.5 million shares to offset the accumulated losses. The reduction of share capital was done through the transfer of SAR 75 million from shareholders' capital to the accumulated losses during the year.

13. 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 50% of its share capital. During the year, the Company transferred SAR 778,437 (2014: SAR 1,090,887) to the statutory reserve. This reserve is not available for distribution.

SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

14. FEES AND COMMISSION

	2015	2014
Asset management fees	7,837,342	9,090,612
Development fees	1,959,260	4,584,758
Retainer and advisory fees	1,486,439	544,810
Custody fees	741,904	625,000
Arrangement fees	588,000	490,250
	<u>12,612,945</u>	<u>15,335,430</u>

15. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2015	2014
Salaries and other employee-related benefits		5,101,122	5,321,489
Independent directors' fees	7	700,000	420,000
Travel		362,637	246,372
Professional fees		240,362	102,243
Rental		173,842	145,983
Depreciation	8	114,484	218,393
Communication		109,667	133,963
Maintenance and support		55,729	92,187
Others		491,277	415,207
		<u>7,349,120</u>	<u>7,095,837</u>

16. EARNINGS PER SHARE

Earnings per share for the year is calculated by dividing the net income for the year amounting to SAR 7.784 million (2014: SAR 10.909 million) by the weighted average number of shares outstanding during the year.

17. SEGMENT INFORMATION

The Company operates solely in the Kingdom of Saudi Arabia. For management purposes, the Company is organised into business units based on services provided and has the following reportable segments:

Asset management

Asset management offers real estate fund management services and currently manages three real estate funds. The Company currently pursues a range of real estate investment opportunities offering risk adjusted returns.

Investment banking

Investment banking provides services relating to corporate finance advisory, private placements and public offerings of equity and debt securities.

Corporate

Corporate manages future corporate development and controls all treasury related functions. All proprietary investments are incubated within this business segment, which also comprise strategy and business development, legal and compliance, finance, operations, human resources and client relationship management.

Management monitors the operating results of these segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income / loss.

2015	Asset management	Investment banking	Corporate	Total
Income				
Fees and commission	10,129,930	2,483,015	-	12,612,945
Special commission income	-	-	2,520,541	2,520,541
Total income	<u>10,129,930</u>	<u>2,483,015</u>	<u>2,520,541</u>	<u>15,133,486</u>
General and administrative expenses	1,544,457	70,000	5,734,663	7,349,120
Net income / (loss)	<u>8,585,473</u>	<u>2,413,015</u>	<u>(3,214,122)</u>	<u>7,784,366</u>
Total assets	523,215	50,000	96,897,397	97,470,612
Total liabilities	-	-	5,351,591	5,351,591

SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(All amounts in Saudi Riyals unless otherwise stated)

2014

Income

Fees and commission	13,540,620	1,794,810	-	15,335,430
Special commission income	-	-	2,573,622	2,573,622
Gain on sale of property and equipment	-	-	95,651	95,651
Total income	13,540,620	1,794,810	2,669,273	18,004,703
General and administrative expenses	868,264	78,270	6,149,303	7,095,837
Net income / (loss)	12,672,356	1,716,540	(3,480,030)	10,908,866
Total assets	-	144,811	90,796,348	90,941,159
Total liabilities	-	-	4,343,430	4,343,430

18. 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.

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:

	Note	2015	2014
Capital base:			
Tier 1 capital		92,119,021	86,597,729
Tier 2 capital		-	-
Total capital base		92,119,021	86,597,729
Minimum capital requirement:			
Market risk		1,000	1,000
Credit risk	(e)	9,757,546	5,857,000
Operational risk		2,543,600	3,401,000
Total minimum capital required		12,302,146	9,259,000
Capital Adequacy Ratio:			
Surplus in capital		79,817,033	77,338,729
Total Capital Ratio (times)		7.49	9.35

- 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) Credit risk requirement for 2014 amounting to SAR 41.507 million as disclosed in the prior year financial statements has been restated to SAR 5.857 million in accordance with Prudential Rules issued by the CMA.

**SHUAA CAPITAL SAUDI ARABIA
(SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**
(All amounts in Saudi Riyals unless otherwise stated)

20. ASSETS HELD UNDER FIDUCIARY CAPACITY

These represent net assets of funds under management amounting to SAR 327.31 million (2014: SAR 892.49 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 2014 have been reclassified to conform to the presentation in the current year.