

الاستثمار كابيتال
Alistithmar Capital



**ALISTITHMAR FOR FINANCIAL SECURITIES
AND BROKERAGE COMPANY**

(A Saudi Closed Joint Stock Company)

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

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Page
Independent auditors' report	1 - 2
Balance sheet	3
Statement of income	4
Statement of cash flows	5
Statement of changes in equity	6
Notes to the financial statements	7 - 17



March 01, 2018

Independent auditor's report to the shareholders of Alistithmar for Financial Securities and Brokerage Company

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 Alistithmar for Financial Securities and Brokerage Company (the "Company") as at December 31, 2017, and of 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 then ended;
- the statement of cash flow for the year then ended;
- the statement of changes in equity for the year then ended; 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 (ISAs) 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 Group 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the financial statements that give a true and fair view in accordance with accounting standards generally accepted in Saudi Arabia, 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent auditor's report to the shareholders of Alistithmar for Financial Securities and Brokerage Company (continued)

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 ISAs 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 ISAs as 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 those charged with governance 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.

PricewaterhouseCoopers



By: _____
Bader I. Benmohareb
License Number 471

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

BALANCE SHEET*(All Amounts In Saudi Riyals Unless Otherwise Stated)*

	Note	As at December 31,	
		2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	3	710,331	74,750,536
Margin loans and murabaha financing		303,415,919	238,889,628
Accrued management fees and commission income		23,046,380	18,894,221
Prepaid expenses and other assets	4	7,153,950	6,273,612
Total current assets		334,326,580	338,807,997
Non-current assets			
Investments	5	110,561,742	66,520,143
Property and equipment, net	6	5,310,296	6,649,343
Goodwill		11,879,718	11,879,718
TOTAL ASSETS		462,078,336	423,857,201
LIABILITIES			
Current liabilities			
Bank overdraft	7	41,426,416	7,650,855
Accrued expenses and other liabilities	8	25,792,672	17,225,329
Provision for zakat and income tax	9	12,522,150	13,195,836
Total current liabilities		79,741,238	38,072,020
Non-current liabilities			
Employees' termination benefits, net	10	12,418,115	11,494,543
Employees' long-term benefits, net	11	8,141,135	17,793,037
TOTAL LIABILITIES		100,300,488	67,359,600
Shareholders' equity			
Share capital	1	250,000,000	250,000,000
Statutory reserve	12	25,401,110	24,764,284
Retained earnings		79,447,620	79,716,187
Changes in fair value reserve - available for sale investments		6,929,118	2,017,130
TOTAL SHAREHOLDERS' EQUITY		361,777,848	356,497,601
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		462,078,336	423,857,201
COMMITMENTS AND CONTINGENCIES	16		

HESHAM ABOU JAMEE
Chief Executive Officer

ZAHOOB AMANULLAH
Chief Financial Officer

The accompanying notes on pages 7 to 17 form an integral part of these financial statements.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF INCOME*(All Amounts In Saudi Riyals Unless Otherwise Stated)*

	Notes	Year ended December 31,	
		2017	2016
OPERATING INCOME			
Brokerage fee income, net		28,917,159	38,849,293
Asset management fee, net		29,899,271	26,017,152
Commission income, net	7, 13	15,888,399	18,284,048
Corporate finance		12,691,563	1,945,000
Realized (losses) gains on sale of available for sale investments		(1,628,079)	2,200,707
Other income		502,534	751,191
Total operating income		86,270,847	88,047,391
OPERATING EXPENSES			
Salaries and employee-related expenses	7	51,776,612	50,805,933
Business service charges	7	4,303,595	4,833,609
Depreciation	6	3,289,019	4,664,413
Subscription fees		3,518,098	4,494,799
Impairment on Investments	5	2,621,699	-
Legal and professional fees		1,680,961	1,247,596
Other general, administrative and marketing expenses	14	12,712,604	12,351,739
Total operating expenses		79,902,588	78,398,089
NET INCOME FOR THE YEAR		6,368,259	9,649,302
EARNINGS PER SHARE			
Operating income for the year	15	3.45	3.52
Net income for the year		0.25	0.39

HESHAM ABOU JAMEE
Chief Executive Officer

ZAHOOR AMANULLAH
Chief Financial Officer

The accompanying notes on pages 7 to 17 form an integral part of these financial statements.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS*(All Amounts In Saudi Riyals Unless Otherwise Stated)*

	Year ended December 31,	
	2017	2016
CASH FLOW FROM OPERATIONS		
Net income for the year	6,368,259	9,649,302
Adjustments to reconcile net income to net cash generated from operations:		
Depreciation	3,289,019	4,664,413
Loss on sale of property and equipment	-	283
Realized losses (gains) on sale of available for sale investments	1,628,079	(2,200,707)
Impairment on investments	2,621,699	-
Changes in working capital:		
Margin loans and murabaha financing	(64,526,291)	258,448,165
Accrued management fees and commission income	(4,152,159)	(5,679,596)
Prepaid expenses and other assets	(880,338)	7,599,656
Accrued and other liabilities	8,567,343	3,387,523
Employees' termination benefits, net	923,572	(585,319)
Employees' long-term benefits, net	(9,651,902)	1,964,219
Zakat and income tax paid	(6,673,686)	(5,328,988)
Net cash (used in) generated from operating activities	(62,486,405)	271,918,951
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property and equipment	(1,949,972)	(487,177)
Proceeds from sale of property and equipment	-	1,408
Purchase of available for sale investments	(72,548,754)	(2,806,882)
Proceeds from sale of available for sale investments	29,169,365	84,041,800
Net cash (used in) generated from investing activities	(45,329,361)	80,749,149
CASH FLOW FROM FINANCING ACTIVITY		
Change in bank overdraft	33,775,561	(279,202,560)
Net cash generated from (used in) financing activity	33,775,561	(279,202,560)
Net change in cash and cash equivalents	(74,040,205)	73,465,540
Cash and cash equivalents at beginning of the year	74,750,536	1,284,996
Cash and cash equivalents at end of the year	710,331	74,750,536
Supplemental non-cash information:		
Net changes in fair value of available for sale investments	4,911,988	2,402,212
Estimated zakat and income tax charged to equity	(6,000,000)	(7,700,000)

HESHAM ABOU JAMEE
Chief Executive Officer

ZAHoor AMANULLAH
Chief Financial Officer

The accompanying notes on pages 7 to 17 form an integral part of these financial statements.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY*(All Amounts In Saudi Riyals Unless Otherwise Stated)*

	Note	Share capital	Statutory reserve	Retained earnings	Changes in fair value reserve - available for sale investments	Total
Balance as at December 31, 2016		250,000,000	23,799,354	78,731,815	(385,082)	352,146,087
Net income for the year		-	-	9,649,302	-	9,649,302
Zakat and income tax	9	-	-	(7,700,000)	-	(7,700,000)
Transfer to statutory reserve	12	-	964,930	(964,930)	-	-
Net movement for the year	5	-	-	-	2,402,212	2,402,212
Balance as at December 31, 2016		250,000,000	24,764,284	79,716,187	2,017,130	356,497,601
Net income for the year		-	-	6,368,259	-	6,368,259
Zakat and income tax	9	-	-	(6,000,000)	-	(6,000,000)
Transfer to statutory reserve	12	-	636,826	(636,826)	-	-
Net movement for the year	5	-	-	-	4,911,988	4,911,988
Balance as at December 31, 2017		250,000,000	25,401,110	79,447,620	6,929,118	361,777,848

HESHAM ABOU JAMEE
Chief Executive Officer

ZAHOOR AMANULLAH
Chief Financial Officer

The accompanying notes on pages 7 to 17 form an integral part of these financial statements.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(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

Alistithmar for Financial Securities and Brokerage Company - Alistithmar Capital (the "Company") is a Saudi closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company was converted from a limited liability company to a Saudi closed joint stock company on Jumada Awal 19, 1436H (corresponding to March 10, 2015). The Company operates under Commercial Registration No. 1010235995 issued in Riyadh on Rajab 8, 1428 H (corresponding to July 22, 2007). The Company also operates its activities under Authorization License number (7061-15) dated Jumada Awal 16, 1428 H (corresponding to June 2, 2007) issued by the Capital Market Authority (CMA).

The Company's registered postal address is as follows:

Alistithmar for Financial Securities and Brokerage Company - Alistithmar Capital
P. O. Box 6888
Riyadh 11452
Kingdom of Saudi Arabia

The Company's share capital of SR 250 million as at December 31, 2017 and 2016 consists of 25,000,000 fully paid shares of SR 10 each, and is wholly-owned by the Saudi Investment Bank.

The principal activities of the Company are dealing in securities as principal and agent, underwriting, management of investment funds and private investment portfolios on behalf of customers, arrangement and advisory and custody services relating to financial securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of available-for-sale investments to fair value, and in compliance with the accounting standards generally accepted in Saudi Arabia and promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting standards 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, seldom equal the related actual results.

Foreign currency translation

(a) Reporting currency

These financial statements are presented in Saudi Riyals ("SR") which is the functional 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 recognized in the statement of income.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and highly liquid investments that are readily convertible into cash with original maturities of three months or less from the date of original acquisition.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(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)

Margin loans and murabaha financing

Margin loans and murabaha financing are recognized when cash is advanced to the borrowers. They are derecognized when either borrower repays their obligations, or the balance is sold or written-off, or substantially all the risks and rewards of ownership are transferred to other party.

Margin loans and murabaha financing are carried at the amount advanced to the customers, including related transaction cost less any provision for credit losses, if any. A provision against credit losses is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. All margin loans and murabaha financing at December 31, 2017 are maturing within one year.

Available for sale investments

Available for sale investments are those intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in commission rates, exchange rates or equity prices or that not classified as held to maturity or held for trading. These investments are included in non-current assets unless management intends to sell such investments within twelve months from the balance sheet date.

All investment securities are initially recognized upon acquisition at cost, including acquisition charges associated with the investment. Subsequently, available for sale investments are measured at fair value at the balance sheet with any gain or loss arising from a change in the fair value is recognized directly under equity. On de-recognition, any cumulative gain or loss previously recognized in equity is included in the statement of income for the year.

For securities traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the balance sheet date. Fair value of investments in mutual funds is determined by reference to declared net asset values.

For securities when there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is based on the expected cash flows of the security. Where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques that includes the use of mathematical models.

The input to these models is taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

For investments where the fair values cannot be reliably measured, these are carried at cost.

Goodwill

Goodwill represents the difference between the purchase value and the fair value of the net assets acquired at the purchase date. The price is determined as the fair value at the acquisition date. Goodwill is stated at the balance sheet date at cost reduced for impairment in value, if any.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation except work-in-progress which is carried at cost. Depreciation is charged to the statement of income, using the straight-line method to allocate the costs of the related assets over the following estimated useful lives:

	Number of years
Leasehold improvements	Over the lease period or 5 years, whichever is lesser
Computers	4
Vehicles	4
Furniture and office equipment	4-10

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of income.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of income, as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(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)

Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of income. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between the cost and fair value.
- For assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective interest rate.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

Provisions

Provisions are recognized 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.

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 Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the equity accounts of the Saudi and the foreign shareholders, respectively. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Employees' termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the statement of income. The liability is calculated; at 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.

Employees' long-term benefits

The Company offers its eligible employee security and savings plans that are based on mutual contributions by the Company and the employees. Also, the Company offers its eligible Saudi employees long-term service award.

Income recognition

Brokerage fees are recognized on accrual basis upon delivery of services to customers and is stated net of discounts, if any, based on agreed applicable service contracts. Commission income from margin loans and murabaha financing are recognized based on the effective rate of return during the contract period, reduced by relevant commission charged by the Bank on funds provided to finance the margin loans and murabaha financing.

Asset management fees are recognized on the accrual basis as services are provided. Advisory, including corporate finance, custody and other service fees are recognized when the related services have been provided. Income on time deposits with the Bank is recognized on accrual basis.

Dividends income from investments is recognized when the Company's right to receive the dividends is established.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(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)

Segment information**(a) Business segment**

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

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

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risk and returns different from those operating in other economic environment.

Expenses

Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately.

Operating lease

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

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and, accordingly, are not included in these accompanying financial statements. Such assets primarily comprise of clients' money accounts.

3. CASH AND CASH EQUIVALENTS

	As at December 31,	
	2017	2016
Cash on hand	15,000	10,000
Cash at bank (Note 7)	695,311	74,740,536
	710,331	74,750,536

4. PREPAID EXPENSES AND OTHER ASSETS

	As at December 31,	
	2017	2016
Receivable from mutual funds	1,786,521	817,925
Staff personal loans	1,729,401	1,077,441
Staff advance housing	984,060	966,211
Prepaid insurance	947,669	882,173
Prepaid IT services	831,628	521,808
Receivable from customers	379,357	1,164,597
Subscriptions	362,553	762,812
Other receivables	132,761	80,645
	7,153,950	6,273,612

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(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)***5. INVESTMENTS**

The available for sale investments in mutual funds, listed and unlisted companies comprise of the following:

	As at December 31,	
	2017	2016
<u>Investment in Mutual Funds</u>		
SAIB Trade Finance Fund	60,000,000	7,858,792
SAIB Funds - Hitteen Land	10,000,000	12,500,000
Ajdan Rise Real Estate Development Fund	10,000,000	-
SAIB Sukuk Fund	6,532,953	6,532,953
SAIB Saudi IPO Fund	5,614,468	25,000,000
SAIB GCC Income Equity Fund	3,307,160	5,000,000
SAIB Saudi Companies Fund	4,958,232	4,958,232
SAIB Saraya Tower Real Estate Development Fund	1,800,000	1,800,000
<u>Investment in Equities</u>		
Listed shares		
Lazurde Company	-	852,036
Bazeem Trading Company	728,454	-
Raydan Restaurants	690,357	-
Unlisted shares		
American Express	1,000	1,000
Total cost	103,632,624	64,503,013
Cumulative change in fair value	6,929,118	2,017,130
	110,561,742	66,520,143

The investment in unlisted shares is carried at cost, as its fair value cannot be reliably measured.

6. PROPERTY AND EQUIPMENT, NET

	Computers	Leasehold improvements	Vehicles	Furniture and office equipment	Total
Cost:					
January 1, 2017	20,421,515	7,819,440	190,625	5,157,214	33,588,794
Additions	1,819,669	-	-	130,303	1,949,972
Disposals	-	-	(150,000)	-	(150,000)
December 31, 2017	22,241,184	7,819,440	40,625	5,287,517	35,388,766
Accumulated depreciation:					
January 1, 2017	16,427,323	5,859,399	190,624	4,462,105	26,939,451
Charge for the year	2,348,277	590,970	-	349,772	3,289,019
Disposals	-	-	(150,000)	-	(150,000)
December 31, 2017	18,775,600	6,450,369	40,624	4,811,877	30,078,470
Net book value:					
December 31, 2017	3,465,584	1,369,071	1	475,640	5,310,296
Net book value:					
December 31, 2016	3,994,192	1,960,041	1	695,109	6,649,343

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(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. RELATED PARTY TRANSACTIONS**

In the ordinary course of its activities, the Company transacts business with The Saudi Investment Bank (the Bank), the sole shareholder of the Company.

The Company has an overdraft facility from the Bank to finance the margin loans and murabaha financing granted to its customers with a maximum limit of SR 1,200 million (2016: SR 1,200 million). At December 31, 2017, the utilized amount of such facility is SR 41 million (December 31, 2016: SR 8 million). The Bank charged the Company commission expense on the utilized balance for the year ended December 31, 2017 amounting to SR 0.76 million (For the year ended December 31, 2016: SR 2.64 million).

Margin loans outstanding with Board and key management personnel amounts to SR 2,121,543 (2016: SR 123,062). Related commission income for the year amounts to SR 102,973 (2016: SR 12,278).

The Company also maintains its operating bank account with The Saudi Investment Bank (see Note 3).

The Company has several agreements with the Bank as follows:

- i. Rent and premises related services agreement, under which the Bank provides to the Company the head office location and 4 branch locations (December 31, 2016: 4 branch locations), rental of existing property and equipment, location and equipment maintenance, utilities, communication and parking lots for the year ended December 31, 2017 amounting SR 3,500,266 (For the year ended December 31, 2016: SR 3,833,785).
- ii. Mailing service agreement, under which the Bank is to provide all mailing services to the Company through the Bank's Mail Department for the year ended December 31, 2017 amounting SR 39,000 (For the year ended December 31, 2016: SR 39,000).
- iii. Archive service agreement, under which the Bank is to keep the Company's files through the Bank's Administration Department for the year ended December 31, 2017 amounting SR 80,000 (For the year ended December 31, 2016: SR 80,000).
- iv. Information Technology (IT) agreement under which the Bank is to provide all IT services including services relating to e-mail, internet and related maintenance services for the year ended December 31, 2017 amounting SR 684,329 (For the year ended December 31, 2016: SR 880,824).

Salaries and employee related expenses include an amount of SR 6,765,510 for key management personnel (For the year ended December 31, 2016: SR 7,063,911).

8. ACCRUED EXPENSES AND OTHER LIABILITIES

	As at December 31,	
	2017	2016
Rebate payable (Mutual funds)	17,419,000	10,290,435
Accrued bonus for employees	3,760,925	3,000,000
Accrued IT services	1,007,149	1,944,247
Accrued professional fees	669,000	648,000
Accrued utility charges	476,790	354,575
GOSI Payable	335,579	357,501
Subscription charges	164,330	123,916
Other	1,959,899	506,655
	<u>25,792,672</u>	<u>17,225,329</u>

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(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)***9. PROVISION FOR ZAKAT AND INCOME TAX****Components of zakat base**

The significant components of the zakat base of the Saudi shareholders are principally comprised of the following:

Zakat Base	Year ended December 31,	
	2017	2016
Shareholders equity - beginning of the year	354,480,471	352,531,169
Net income for the year, as adjusted	9,863,846	9,668,311
Provisions	11,494,543	12,079,862
Property and equipment, net	(20,145,519)	(9,788,883)
Investments	(106,254,322)	(64,502,013)
Goodwill	-	(11,879,718)
Total zakat base	249,439,019	288,108,728
Saudi shareholding percentage	90%	90%
Zakat base for Saudi shareholders for the year	224,495,117	259,297,855
Adjusted net income for Saudi shareholders	8,877,461	8,701,480
Estimated zakat for the year	5,612,378	6,482,446

The zakat is calculated at 2.5% of the zakat base for Saudi shareholders or adjusted net income for Saudi shareholders, whichever is higher.

Taxable income	Year ended December 31,	
	2017	2016
Taxable income of the Company - foreign shareholders	9,863,846	7,467,604
Foreign shareholding percentage	10%	10%
Taxable income of ultimate foreign shareholders	986,385	746,760
Income tax calculated at 20%	197,277	149,352

The movement in provision for zakat and income tax during the year ended December 31, 2017 is summarized as follows:

	Zakat	Income tax	Total
Balance at the beginning of the year	12,722,830	473,006	13,195,836
Additions during the year	5,750,000	250,000	6,000,000
Payments during the year	(6,482,424)	(191,262)	(6,673,686)
Balance at the end of the year	11,990,406	531,744	12,522,150

The movement in provision for zakat and income tax during the year ended December 31, 2016 is summarized as follows:

	Zakat	Income tax	Total
Balance at the beginning of the year	9,905,454	919,370	10,824,824
Additions during the year	7,500,000	200,000	7,700,000
Payments during the year	(4,682,624)	(646,364)	(5,328,988)
Balance at the end of the year	12,722,830	473,006	13,195,836

The Company received and settled its assessment orders of zakat and income tax with the GAZT upto the year 2010. The Company also filed its zakat and income tax return for the years 2011 to 2016 and received interim assessments for the years 2012 and 2013, see Note 16.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(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)***10. EMPLOYEES' TERMINATION BENEFITS**

	As at December 31,	
	2017	2016
Balance at the beginning of the year	11,494,543	12,079,862
Additions during the year	2,256,514	2,096,194
Payments during the year	(1,332,942)	(2,681,513)
Balance at the end of the year	12,418,115	11,494,543

11. EMPLOYEES' LONG-TERM BENEFITS

	As at December 31,	
	2017	2016
Employees' long-term service award	7,120,135	7,284,522
Employees' service security plan	1,021,000	2,695,267
Employees' saving plan	-	7,813,248
	8,141,135	17,793,037

12. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws, the Company is required to allocate 10% of its net income each year to a statutory reserve until such reserve equal to thirty percent of its share capital. The Company may discontinue such transfers when such reserve reaches thirty percent of its share capital. Such reserve is not available for dividend distribution.

13. COMMISSION INCOME, NET

	Year ended December 31,	
	2017	2016
Commission income	16,652,267	20,920,267
Commission expense	(763,868)	(2,636,219)
	15,888,399	18,284,048

14. OTHER GENERAL, ADMINISTRATIVE AND MARKETING EXPENSES

	Year ended December 31,	
	2017	2016
IT services	5,529,211	5,665,835
Utility charges	1,594,808	1,451,550
Janitorial and cleaning services	1,356,533	1,351,015
Advertising and marketing	1,347,481	1,309,640
Travel and conveyance	401,725	558,205
Independent directors' fee	384,000	240,000
Insurance cost	269,378	215,699
Repairs and maintenance expenses	268,414	403,201
Penalties and fines	260,000	60,000
Stationery and supplies	185,920	182,674
Mail charges	183,171	66,863
Other	931,963	847,057
	12,712,604	12,351,739

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(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)

15. EARNINGS PER SHARE

Earnings per share from operating income and net income is calculated by dividing the operating income and net income for the year by the weighted average number of shares for the year ended December 31, 2017 and 2016 amounting to 25 million shares.

16. COMMITMENTS AND CONTINGENCIES

As at December 31, 2017, the Company has commitments to extend margin loans amounting to SR 420 million (December 31, 2016: SR 434 million).

During 2012 and 2013, the Company received interim assessments from the GAZT for additional Zakat amounting to SR 1.97 million and SR 2.23 million relating to the Company's 2011 and 2012 zakat filings, respectively, due to the disallowance of long-term investments in mutual funds from the zakat base. The Company, in consultation with its zakat advisors, has filed appeals with the GAZT, and is awaiting a response. The Company believes that it has the basis to challenge such amounts; accordingly, no liability was recorded in the financial statements for the year ended December 31, 2017.

17. FIDUCIARY ASSETS

Clients' money accounts

As at December 31, 2017, the Company is holding clients' money accounts, with the Bank, amounting to SR 915 million (December 31, 2016: SR 1,402 million), to be used for investments upon client discretion. Consistent with its accounting policy, such balances are not included in the Company's financial statements.

Assets under management

The market value of net assets under management at December 31, 2017 amounted to approximately SR 6,816 million (December 31, 2016: SR 5,135 million).

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet include cash and cash equivalents, margin loans and murabaha financing, accrued management fees and commission income, available for sale investments, bank overdraft, accrued expenses and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Credit risk

Credit risk is the risk that one party of a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has established procedures to manage credit exposure including evaluation of borrowers' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral such as managing borrowers' portfolios. Individual margin loan and murabaha financing contracts generally are for terms not exceeding twelve months.

Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The Company manages its credit risk exposure through attempting to diversify its lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers.

The Company follows a credit methodology with its margin borrowing customers that allows maintaining certain collateral margin coverage against the granted margin loans. Any exception of individual margin loan from the coverage rule is closely watched by management to execute remedial cash margins or sale of the securities held.

Commission rate risk

Commission rate risk is the uncertainty of future earnings resulting from fluctuations in commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to commission rate adjustment within a specified period. The most important source of such rate risk is the Company's borrowings and lending's, where fluctuations in commission rates, if any, are reflected in the results of operations.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(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)***Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals accordingly the Company is not exposed to significant foreign exchange risk.

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. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

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, except for available-for-sale investments which are carried at fair values, differences can arise between the book values and the 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. SEGMENTAL INFORMATION

The Company operates and conducts its business activities only in the Kingdom of Saudi Arabia. For management purposes, the Company is organized into business lines based on services provided and has the following three reportable segments:

- a. **Brokerage and Margin Lending** – this includes the brokerage & execution services by providing access to the Saudi Arabia and International markets and the extension of margin facilities for these markets for customers.
- b. **Asset Management** – this includes the management of conventional and Shariah compliant assets on behalf of investors which can be in the form of mutual funds or discretionary portfolio mandates.
- c. **Other** - this includes other business lines such as Investment banking, corporate finance and other custody and advisory services, in addition to the proprietary investments and corporate development and control functions.

Selected financial information as at December 31 and for the year then ended, summarized by business segments, is as follows:

<u>2017</u>	Brokerage and Margin Lending	Asset Management	Other	Total
Operating income	39,145,341	29,899,272	17,226,234	86,270,847
Operating expenses	39,023,145	32,829,415	8,050,028	79,902,588
Net income / (loss)	122,196	(2,930,143)	9,176,206	6,368,259
Total assets	305,755,368	19,896,931	136,426,037	462,078,336
Total liabilities	41,426,416	10,290,435	48,583,637	100,300,488
<u>2016</u>				
Operating income	50,987,257	26,017,152	11,042,982	88,047,391
Operating expenses	41,647,617	31,433,628	5,316,844	78,398,089
Net income / (loss)	9,339,640	(5,416,476)	5,726,138	9,649,302
Total assets	241,314,850	15,189,000	167,353,351	423,857,201
Total liabilities	7,650,854	10,290,435	49,418,311	67,359,600

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY

(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)

20. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

In accordance with Pillar I of the Prudential Rules issued by the CMA (the Rules), the capital base, minimum capital requirement and capital adequacy ratio are as follows:

	As at December 31,	
	2017	2016
	(SAR in '000)	
Capital base:		
Tier 1 Capital	342,969	342,601
Tier 2 Capital	6,929	2,017
Total Capital Base	349,898	344,618
Minimum capital requirement:		
Market Risk	156	222
Credit Risk	110,472	85,438
Operational Risk	19,976	19,600
Total Minimum Capital Required	130,604	105,260
Capital adequacy ratio:		
Capital Ratio (time)	2.68	3.27
Surplus in capital	219,294	239,358

- a) The Company's business objectives when managing capital adequacy is to comply with the minimum capital requirements set forth by the CMA in the Rules, to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.
- b) The Company will disclose on annual basis certain information's as per Pillar III of the Rules for public on the Company website (www.icap.com.sa) however these are not subject to review or audit by the external auditors of the Company.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on March 01, 2018.