

Audi Capital Company
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS

31 DECEMBER 2015



Building a better
working world

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**AUDITORS' REPORT TO THE SHAREHOLDERS OF
AUDI CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)**

Scope of Audit:

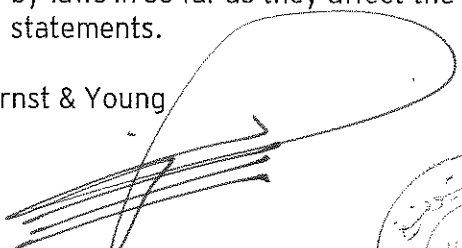
We have audited the accompanying balance sheet of Audi Capital Company - a Saudi Closed Joint Stock Company (the "Company") as of 31 December 2015 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

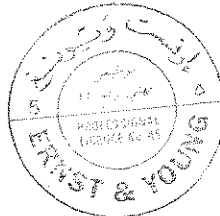
Unqualified opinion:

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

- i) present fairly, in all material respects, the financial position of the Company as of 31 December 2015 and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young


Waleed G. Tawfiq
Certified Public Accountant
Registration No. 437



Riyadh: 15 Jumad Awal 1437H
(24 February 2016)

Audi Capital Company
(A Saudi Closed Joint Stock Company)

BALANCE SHEET

As of 31 December 2015

	<i>Notes</i>	2015 SR	2014 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	37,715,556	15,291,675
Accounts receivable, prepayments and other current assets	4	27,915,941	24,191,880
Loans	5	10,462,227	-
Held to maturity investments	7	-	63,043,782
TOTAL CURRENT ASSETS		<u>76,093,724</u>	<u>102,527,337</u>
NON-CURRENT ASSETS			
Available for sale investments	6	39,771,400	61,560,548
Held to maturity investments	7	38,875,784	-
Property and equipment	8	3,413,099	3,398,019
Intangible assets	9	2,077,059	665,390
TOTAL NON-CURRENT ASSETS		<u>84,137,342</u>	<u>65,623,957</u>
TOTAL ASSETS		<u>160,231,066</u>	<u>168,151,294</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accruals	10	12,549,178	16,821,701
Dividend payable	22	-	13,969,364
Zakat and income tax payable	11	1,205,758	2,591,985
TOTAL CURRENT LIABILITIES		<u>13,754,936</u>	<u>33,383,050</u>
NON-CURRENT LIABILITY			
Employees' terminal benefits		<u>5,371,056</u>	<u>4,050,782</u>
TOTAL LIABILITIES		<u>19,125,992</u>	<u>37,433,832</u>
SHAREHOLDERS' EQUITY			
Share capital	13	100,000,000	100,000,000
Statutory reserve		9,374,384	7,546,043
Retained earnings		29,973,584	13,518,518
Unrealized gain on available for sale investments	6	1,757,106	9,652,901
TOTAL SHAREHOLDERS' EQUITY		<u>141,105,074</u>	<u>130,717,462</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>160,231,066</u>	<u>168,151,294</u>

The attached notes 1 to 24 form part of these financial statements.

Audi Capital Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF INCOME

For the year ended 31 December 2015

	<i>Notes</i>	2015 SR	2014 SR
OPERATING INCOME			
Dealing income, net	14	19,726,551	25,887,513
Managing income		34,913,521	23,768,684
Custody income		4,019,961	2,890,072
Arranging income		2,882,177	870,929
Advising income		2,355,193	13,298,628
TOTAL OPERATING INCOME		63,897,403	66,715,826
OPERATING EXPENSES			
General and administration	15	(43,831,782)	(44,486,935)
Impairment loss on available for sales investments	6	(762,089)	(4,425,689)
Finance charges	12	(19,263)	(2,441)
TOTAL OPERATING EXPENSES		(44,613,134)	(48,915,065)
INCOME FROM MAIN OPERATIONS		19,284,269	17,800,761
Exchange gain, net		201,329	26,787
Gain (loss) on disposal / write-off of property and equipment, intangible assets and prepayments, net		3,567	(214,988)
NET INCOME FOR THE YEAR		19,489,165	17,612,560
Earnings per share			
<i>Attributable to:</i>	19		
Income from main operations		1.93	0.85
Net income		1.95	0.84

The attached notes 1 to 24 form part of these financial statements.

Audi Capital Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	<i>Notes</i>	2015 SR	2014 SR
OPERATING ACTIVITIES			
Net income for the year		19,489,165	17,612,560
Adjustments for:			
Depreciation and amortization	15	1,971,189	1,984,743
Provision for employees terminal benefits		1,462,099	1,267,873
Net amortization of premium and discount	14	415,857	(5,285,224)
Exchange gain, net		(201,329)	(26,787)
Impairment of available for sale investments	6	762,089	4,425,689
Gain on disposal of held to maturity investments, net	14	(45,672)	(206,727)
Gain on disposal of available for sale investments, net	14	(5,090,070)	(6,337,673)
Gain on disposal of held for trading investments	14	(9)	-
Gain (loss) on disposal / write-off of property and equipment, intangible assets and prepayments ,net		(3,567)	214,988
		<u>18,759,752</u>	<u>13,649,442</u>
Changes in operating assets and liabilities:			
Accounts receivable, prepayments and other current assets		(3,724,061)	(6,336,325)
Accounts payable and accruals		(4,272,523)	9,523,637
Loans		(10,462,227)	3,516,542
Net cash from operations		300,941	20,353,296
Employees terminal benefits paid		(141,825)	(385,230)
Zakat and income tax paid on behalf of shareholders	11	(2,591,985)	(491)
Net cash (used in) from operating activities		<u>(2,432,869)</u>	<u>19,967,575</u>
INVESTING ACTIVITIES			
Purchase of property and equipment	8	(1,460,550)	(126,845)
Purchase of intangible assets	9	(1,938,820)	(45,750)
Proceeds from disposal of property and equipment		4,999	-
Proceeds from disposal of held to maturity investments		63,078,941	743,766,470
Proceeds from disposal of available for sale investments		34,233,562	20,083,688
Proceeds from disposal of held for trading investments		819	-
Purchase of held to maturity investments		(39,079,799)	(550,262,453)
Purchase of available for sale investments		(16,012,228)	(25,773,004)
Purchase of held for trading investments		(810)	-
Net cash from investing activities		<u>38,826,114</u>	<u>187,642,106</u>
FINANCING ACTIVITIES			
Short term loan		-	(5,000,401)
Payment to shareholders against reduction in capital	13	-	(200,000,000)
Dividend paid		(13,969,364)	-
Net cash used in financing activities		<u>(13,969,364)</u>	<u>(205,000,401)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		22,423,881	2,609,280
Cash and cash equivalents at the beginning of the year		<u>15,291,675</u>	<u>12,682,395</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	<u>37,715,556</u>	<u>15,291,675</u>
Non-cash transactions:			
Unrealized (loss) gain on available for sale investments, net	6	<u>(7,895,795)</u>	<u>2,999,751</u>

The attached notes 1 to 24 form part of these financial statements.

Audi Capital Company
(A Saudi Closed Joint Stock Company)

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

	Share capital SR	Statutory reserve SR	Retained earnings SR	Unrealized gain (loss) on available for sale investments SR	Total SR
Balance at 31 December 2013	300,000,000	6,043,986	13,969,364	6,653,150	326,666,500
Reduction in share capital (note 13)	(200,000,000)	-	-	-	(200,000,000)
Net income for the year	-	-	17,612,560	-	17,612,560
Zakat and income tax (note 11)	-	-	(2,591,985)	-	(2,591,985)
Transfer to statutory reserve	-	1,502,057	(1,502,057)	-	-
Dividends during the year (note 22)	-	-	(13,969,364)	-	(13,969,364)
Unrealized loss on available for sale investments during the year, net	-	-	-	(1,425,938)	(1,425,938)
Impairment loss transferred to statement of income	-	-	-	4,425,689	4,425,689
Balance at 31 December 2014	100,000,000	7,546,043	13,518,518	9,652,901	130,717,462
Net income for the year	-	-	19,489,165	-	19,489,165
Zakat and income tax (note 11)	-	-	(1,205,758)	-	(1,205,758)
Transfer to statutory reserve	-	1,828,341	(1,828,341)	-	-
Unrealized loss on available for sale investments during the year, net	-	-	-	(8,657,884)	(8,657,884)
Impairment loss transferred to statement of income	-	-	-	762,089	762,089
Balance at 31 December 2015	100,000,000	9,374,384	29,973,584	1,757,106	141,105,074

The attached notes 1 to 24 form part of these financial statements.

Audi Capital Company

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

1 ACTIVITIES

Audi Capital Company (the "Company") is a Saudi Closed Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia. The Company has obtained a license number 692 dated 2 Jumad Al Awal 1427 H (corresponding to 30 May 2006) from the Saudi Arabian General Investment Authority ("SAGIA"). The Company is registered under commercial registration number 1010226747 dated 18 Dhul Hajjah 1427H (corresponding to 8 January 2007). The Company has also obtained a license number 06017-37 dated 22 Rabi Al Thani 1427H (corresponding to 20 May 2006) from the Capital Market Authority (the "CMA").

The Company is licensed to act as principal and agent and to provide underwriting and managing mutual funds and portfolios, arranging, advising, custodial and international brokerage services.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The financial statements are prepared under the historical cost convention modified to indicate the measurement of available for sale investments at fair values.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents consists of cash on hand, current accounts and time deposits that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

Investments

a) Available for sale investments

Investments that are bought neither with the intention of being held to maturity nor for trading purposes, are classified as available for sale investments and are carried at fair value and included under non-current assets. They include investment in equity instruments, bonds and mutual funds.

These are initially recognized at fair value plus directly attributable transaction costs. After initial measurement, these are re-measured at fair value. Unrealized gains and losses on the valuation of these investments are recognized directly in shareholders' equity as "unrealized gain (losses) on available for sale investments".

Decline other than temporary in the value of investments, if any, is charged to the statement of income.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the statement of income. Where partial holdings are sold, the cost of investments sold, is accounted for on a weighted average basis.

Fair value is determined by reference to the market value if an open market exists. In the absence of active market, the fair value is determined through other indicators, otherwise, cost is considered to be the fair value.

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

b) Held to maturity investments

These represent investments having fixed or determinable payments and fixed maturity that the Company has the intention and ability to hold to maturity. These are initially recognized at fair value plus directly attributable transaction costs and after initial recognition these are re-measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition using an effective yield basis. The losses arising from the impairment of such investments, if any, are recognized in the statement of income.

c) Held for trading investments

These represent investments acquired for the purpose of selling and/or repurchasing in the near term. These are initially recorded at fair value with all transaction costs being directly recognised in the statement of income. These are subsequently measured at fair value with the changes in the fair values recorded in the statement of income.

Loans

Loans are carried at the gross amount due under the arrangement less any provision required for impairment based on a review of all outstanding amounts at year end.

Property and equipment

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

The carrying values of property and equipment 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 amortized on a straight-line basis over the shorter of the useful life of the improvement and the term of the lease.

Expenditure for repair and maintenance is charged as expense. Other subsequent expenditure is capitalized only when it increases the value or materially extends the life of the related assets.

Intangible assets

Intangible assets represent computer software licenses and are amortized over their estimated useful life of 4 years.

Impairment and uncollectibility of financial assets

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

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income;
- b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- c) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts payable and accruals

Accounts payable and accruals are measured at fair value. Liabilities are recognized for amounts to be paid in the future for services received, whether billed by the supplier or not.

Zakat and income tax

Zakat and income tax are provided for in accordance with the Saudi Arabian fiscal regulations. The provision is charged to retained earnings. Accordingly, amounts reimbursable by the shareholders of such zakat and income tax are credited to retained earnings.

Employees' terminal benefits

Provision is made for amounts payable under the Saudi Arabian Labor Law applicable to employees' accumulated periods of service at the balance sheet date.

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of its income after zakat and income tax and after deducting losses brought forward in each year until it has built up a reserve equal to one half of the capital. The reserve is not available for distribution.

Income recognition

Income from dealing and arranging services is recognized when the service has been provided. Special commission, custody and managing income are recognized on an accrual basis. Advising income is recognized on an accrual basis or as the services are provided based on the nature of arrangement with the counter party.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the Company carries out all its activities in the Kingdom of Saudi Arabia, reporting is provided by business segment only.

Operating lease

Operating lease payments are recognized as an expense in the statement of income on a straight line basis over the lease term.

Customers' investments

The Company offers investment services to its customers, which include management of certain investments on behalf of its customers. Investments held through such arrangements are not treated as assets of the Company and accordingly, are not included in the balance sheet.

Expenses

Given the nature of the Company's business, all expenses are classified as general and administration expenses.

Fair values

For investments traded in organised markets, fair value is determined by reference to quoted market bid prices.

The fair value of special commission bearing items is estimated based on discounted cash flows using special commission rates for items with similar terms and risk characteristics.

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

3 CASH AND CASH EQUIVALENTS

	2015 SR	2014 SR
Cash in hand	41,397	54,723
Cash at bank	9,039,349	7,509,015
Short term time deposit	28,634,810	7,727,937
	<u>37,715,556</u>	<u>15,291,675</u>

Short term time deposit have original maturity of less than 90 days from the date of acquisition and carries an average interest rate of 2.3% per annum (2014: 2.76% per annum).

4 ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER CURRENT ASSETS

	2015 SR	2014 SR
Accrued revenue	13,631,221	12,131,169
Advance income tax (note 11)	5,458,047	3,514,233
Advances to employees	2,394,500	1,939,467
Margin deposits (note 16)	2,216,906	2,216,906
Advances and prepayments	2,088,412	1,244,363
Accrued special commission income	1,700,445	2,085,762
Fees receivable	262,600	187,566
Other receivables	163,810	872,414
	<u>27,915,941</u>	<u>24,191,880</u>

5 LOANS

	2015 SR	2014 SR
Loan to a related party (5.1)	10,000,000	-
Loan to a customer (5.2)	462,227	-
	<u>10,462,227</u>	<u>-</u>

5.1 This loan neither carries interest nor commission and is unsecured. The loan has been granted exclusively for the purpose of financing the operations of the related party and matures in January 2016 with an option to extend the maturity for one month subject to prior written consent of both parties. The option to extend the loan was exercised with mutual consent, however, the extension expired in February 2016. The parties are currently negotiating a further extension of three months which will extend the maturity of the loan to May 2016. This extension is also subject to the Board's approval.

5.2 Loan to a customer represents securities lending transaction as allowed by the CMA. It is a short term, interest bearing, secured loan.

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

6 AVAILABLE FOR SALE INVESTMENTS

	2015			Carrying value SR
	Cost SR	Changes in fair value SR	Impairment SR	
Sukuk – local / international	25,119,921	(1,620,175)	-	23,499,746
Mutual funds	11,539,284	3,377,281	-	14,916,565
Local equities	2,117,178	-	(762,089)	1,355,089
	<u>38,776,383</u>	<u>1,757,106</u>	<u>(762,089)</u>	<u>39,771,400</u>

	2014			Carrying value SR
	Cost SR	Changes in fair value SR	Impairment SR	
Mutual funds	26,265,397	11,519,603	-	37,785,000
Local equities	12,080,961	(1,570,372)	(1,882,147)	8,628,442
Sukuk – local / international	10,356,353	(296,330)	-	10,060,023
Foreign equities	7,630,625	-	(2,543,542)	5,087,083
	<u>56,333,336</u>	<u>9,652,901</u>	<u>(4,425,689)</u>	<u>61,560,548</u>

7 HELD TO MATURITY INVESTMENTS

	2015		2014	
	Carrying value SR	Market value SR	Carrying value SR	Market value SR
Government notes -fixed rate	<u>38,875,784</u>	<u>38,887,976</u>	<u>63,043,782</u>	<u>63,041,992</u>

As at 31 December, the contractual maturity of the above investments is as follows:

	2015 SR	2014 SR
Due within one year – current	-	63,043,782
Due after one year	<u>38,875,784</u>	-
	<u>38,875,784</u>	<u>63,043,782</u>

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2015

8 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Furniture, fixtures and improvements Office equipment and computers	Motor vehicles		Office equipment and computers SR	Motor vehicles SR	Total 2015 SR	Total 2014 SR
	10 years	4 years				
Cost:						
At the beginning of the year	7,255,626	139,700	6,891,076	139,700	14,286,402	14,159,557
Additions	63,174	-	1,397,376	-	1,460,550	126,845
Disposals	-	-	(55,920)	-	(55,920)	-
At the end of the year	7,318,800	139,700	8,232,532	139,700	15,691,032	14,286,402
Accumulated depreciation:						
At the beginning of the year	4,609,215	70,453	6,208,715	70,453	10,888,383	9,400,947
Depreciation charge for the year Relating to disposals	729,416	34,881	679,741	34,881	1,444,038	1,487,436
	-	-	(54,488)	-	(54,488)	-
At the end of the year	5,338,631	105,334	6,833,968	105,334	12,277,933	10,888,383
Net book amounts:						
At 31 December 2015	1,980,169	34,366	1,398,564	34,366	3,413,099	
At 31 December 2014	2,646,411	69,247	682,361	69,247		3,398,019

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

9 INTANGIBLE ASSETS

	2015 SR	2014 SR
<i>Cost:</i>		
At the beginning of the year	5,536,404	5,865,664
Additions	1,938,820	45,750
Write-off	-	(375,010)
	<u>7,475,224</u>	<u>5,536,404</u>
<i>At the end of the year</i>		
<i>Accumulated amortization:</i>		
At the beginning of the year	4,871,014	4,608,728
Amortization charge for the year	527,151	497,307
Write-off	-	(235,021)
	<u>5,398,165</u>	<u>4,871,014</u>
<i>At the end of the year</i>		
Net book value:	<u><u>2,077,059</u></u>	<u><u>665,390</u></u>

10 ACCOUNTS PAYABLE AND ACCRUALS

	2015 SR	2014 SR
Accrued employees bonus	6,618,555	11,676,206
Accrued expenses	3,423,762	3,671,661
Accounts payable and others	2,506,861	1,473,834
	<u>12,549,178</u>	<u>16,821,701</u>

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

11 ZAKAT AND INCOME TAX

a) Zakat

Charge for the year

The zakat charge provided for in the statement of changes in shareholders' equity amounting to SR 305 (2014: SR 185) consists of the current year provision.

The current year provision is based on the following:

	2015 SR	2014 SR
Share capital	100,000,000	100,000,000
Retained earnings	13,518,518	13,969,364
Statutory reserve	7,546,043	6,043,986
Provision for employees' terminal benefits	5,791,105	2,782,909
	<u>126,855,666</u>	<u>122,796,259</u>
Book value of long term assets and cost of investments	(15,547,005)	(21,583,362)
	<u>111,308,661</u>	<u>101,212,897</u>
Adjusted zakatable profit for the year	10,577,455	17,793,372
Zakat base	<u>121,886,116</u>	<u>119,006,269</u>
Saudi shareholders' share of the zakat base at 0.01% (2014: 0.0062%)	<u>12,189</u>	<u>7,399</u>

Movements in provision during the year

The movement in the zakat provision for the year was as follows:

	2015 SR	2014 SR
At the beginning of the year	185	491
Provided during the year	305	185
Paid during the year	(185)	(491)
	<u>305</u>	<u>185</u>
At the end of the year	<u>305</u>	<u>185</u>

b) Income tax

Charge for the year

During the current year, the Company provided for income tax of SR 1,205,453 (2014: SR 2,591,800), relating to the non-Saudi shareholders' holding of 99.99% (2014: 99.9934%) of the share capital.

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

11 ZAKAT AND INCOME TAX (continued)

b) Income tax (continued)

Movements in provision during the year

The movement in the income tax provision for the year was as follows:

	2015 SR	2014 SR
At the beginning of the year	2,591,800	-
Provided during the year	1,205,453	2,591,800
Paid during the year	(2,591,800)	-
At the end of the year	<u>1,205,453</u>	<u>2,591,800</u>

During 2008, the Company paid advance income tax of SR 5,461,598 against zakat and income tax of subsequent years. As at 31 December 2015, the balance is SR 5,458,047 (2014: SR 3,514,233) (note 4).

c) Status of assessments

During 2011, the Company received assessments from the Department of Zakat and Income Tax (the "DZIT") for the years 2007 and 2008 resulting in additional zakat and tax liabilities. Accordingly, the Company filed an appeal providing its detailed arguments against such assessments, which was not accepted by the DZIT and then the case was transferred to the Preliminary Appeal Committee ("PAC").

On 2 January 2014, PAC issued its resolution in connection with the above mentioned appeal. The resolution was partially in favour of the Company resulting in a due amount for the Company amounting to SR 3,453,700. However, the Company filed an appeal against PAC resolution for the items adjudged against the Company to the High Appeal Committee ("HAC"), which is still under review by HAC. Accordingly, the Company believes that no provision is required for any additional zakat and tax liabilities in this respect.

12 RELATED PARTY TRANSACTIONS AND BALANCES

The following are details of major related party transactions during the year and its balances at the end of the year:

Related party	Nature of transactions	Amount of transactions	
		2015 SR	2014 SR
Affiliates and Shareholders	Managing income	16,073,639	11,079,458
	Dealing income	8,556,668	3,651,504
	Custody income	1,189,532	756,103
	Advising income	950,491	11,682,446
	Finance charges	(19,263)	(2,441)

The remuneration to the members of Board of Directors and Audit Committee is disclosed in note 15 to the financial statements.

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<i>Related party</i>	<i>Nature of account</i>	<i>Balances</i>	
		<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
Affiliates and Shareholders	Bank balances	29,115,644	8,515,482
	Available for sale investments (Managed funds)	14,916,565	37,785,000
	Available for sale investments (Banks and financial institutions)	14,764,120	-
	Loan to a related party	10,000,000	-
	Accrued revenue	7,353,977	6,295,000
	Accounts payable and accruals	1,100,065	862,598
	Accrued special commission income	278,994	328,182

In addition, the Company maintains the following fiduciary accounts for customers of related parties and for related parties:

	<i>Cash</i> <i>SR</i>	<i>Funds</i> <i>SR</i>	<i>Bonds</i> <i>SR</i>	<i>Equities</i> <i>SR</i>	<i>Total</i> <i>SR</i>
As of 31 December 2015	134,780,750	336,862,968	369,593	929,443,670	1,401,456,981
As of 31 December 2014	207,333,861	362,634,720	534,383	1,112,878,512	1,683,381,476

13 SHARE CAPITAL

The Company's share capital as at 31 December 2015 amounts to SR 100 million (2014: SR 100 million) divided into 10 million shares of SR 10 each (2014: 10 million shares of SR 10 each).

During 2014, the Company received approval from the CMA and SAGIA on the Company's request for reduction in its share capital, submitted during the year ended 31 December 2012. Consequently, during the year ended 31 December 2014, the Company's capital was reduced from SR 300 million to SR 100 million after completion of necessary regulatory and legal formalities.

14 DEALING INCOME, NET

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
Brokerage income	10,677,152	9,947,050
Gain on disposal of available for sale investments, net	5,090,070	6,337,673
Special commission income	3,896,117	9,239,669
Gain on disposal of held to maturity investments, net	45,672	206,727
Dividend income	17,531	156,394
Gain on disposal of held for trading investments, net	9	-
	<u>19,726,551</u>	<u>25,887,513</u>

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

15 GENERAL AND ADMINISTRATION EXPENSES

	2015 SR	2014 SR
Employee costs	30,538,996	32,848,192
Depreciation and amortization (notes 8 and 9)	1,971,189	1,984,743
Information technology, telecommunication and related expense	1,745,108	1,536,145
Travel and transportation	1,637,102	1,796,802
Rent	1,581,384	1,585,277
Legal and professional fees	1,540,912	1,350,078
Repairs and maintenance	1,016,114	773,916
Insurance	703,725	647,629
Telephone, postage and electricity	521,046	519,890
Stationery and office supplies	475,188	394,739
Board of Directors remuneration	400,000	400,000
Audit Committee remuneration	200,000	200,000
Newspaper and subscription	29,478	30,504
Others	1,471,540	419,020
	<u>43,831,782</u>	<u>44,486,935</u>

16 COMMITMENTS AND CONTINGENCIES

As of 31 December 2015, the Company in the capacity of a lessee, has ongoing rental agreements for its offices amounting to SR 1,523,200 (2014: SR 2,197,216) due in one year, SR 6,415,529 (2014: SR 6,323,185) due in the next 2 to 5 years and SR Nil (2014: SR 1,615,544) due in more than 5 years.

The banker of the Company issued a guarantee of SR 2,216,906 to the DZIT against a margin deposit during 2014, which is still valid. (note 4).

17 CUSTOMERS' INVESTMENTS

These represent funds invested by the Company on behalf of its customers under a fiduciary arrangement. The investments are made in different financial instruments such as time placements, equity shares, funds and bonds. These amounts are summarized below:

As at 31 December 2015

	<i>Cash</i> SR	<i>Funds</i> SR	<i>Bonds</i> SR	<i>Equities</i> SR	<i>Total</i> SR
Advisory Clients	520,913,984	634,609,452	418,817,903	1,054,441,192	2,628,782,531
Managed Mutual Funds	128,235,756	259,963,564	-	345,804,543	734,003,863
Discretionary Clients	603,553,476	250,000	25,678,923	1,193,643,038	1,823,125,437
	<u>1,252,703,216</u>	<u>894,823,016</u>	<u>444,496,826</u>	<u>2,593,888,773</u>	<u>5,185,911,831</u>

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

17 CUSTOMERS' INVESTMENTS (continued)

As at 31 December 2014

	Cash SR	Funds SR	Bonds SR	Equities SR	Total SR
Advisory Clients	293,357,784	671,915,304	178,934,985	1,432,657,701	2,576,865,774
Managed Mutual Funds	178,540,999	263,989,885	-	417,127,214	859,658,098
Discretionary Clients	566,419,340	250,000	40,517,050	972,158,683	1,579,345,073
	<u>1,038,318,123</u>	<u>936,155,189</u>	<u>219,452,035</u>	<u>2,821,943,598</u>	<u>5,015,868,945</u>

Certain customers have pledged their investments, amounting to SR 709,288,760 as at 31 December 2015 (2014: SR 846,165,053), against their borrowings from the Company and from the third parties.

18 SEGMENT INFORMATION

The Company is organized into the following main operating segments:

- Dealing activities include trading in a security, whether as principal or agent, and to sale, purchase, manage the subscription for or of underwriting securities.
- Managing activities include managing securities belonging to another person in circumstances involving the exercise of discretion.
- Custody activities include safeguarding assets belonging to another person including securities, or arranging for another person to do so, and custody includes taking the necessary administrative measures.
- Arranging activities include introducing parties in relation to securities business, advising on corporate finance business or acting in any way to bring about a deal in a security.
- Advising activities include in advising a person on the merits of dealing in a security or exercising any right to deal conferred by a security.
- Others represent certain assets, liabilities, operating income or expenses of the Company, which have not been allocated to the above segments.

	Dealing Activities SR	Managing Activities SR	Custody Activities SR	Arranging Activities SR	Advising Activities SR	Others SR	Total SR
2015							
Total assets	128,484,014	12,950,187	709,837	262,600	77,353	17,747,075	160,231,066
Total liabilities	65,291	1,262,771	47,700	-	-	17,750,230	19,125,992
Total operating income	19,726,551	34,913,521	4,019,961	2,882,177	2,355,193	-	63,897,403
Total expenses	(2,200,048)	(6,878,119)	(2,137,183)	(1,094,778)	(6,344,938)	(25,753,172)	(44,408,238)
Net (loss) income	17,526,503	28,035,402	1,882,778	1,787,399	(3,989,745)	(25,753,172)	19,489,165
2014							
Total assets	142,248,386	10,743,066	831,876	187,566	612,766	13,527,634	168,151,294
Total liabilities	116,423	1,121,793	97,060	-	-	36,098,556	37,433,832
Total operating income	25,887,513	23,768,684	2,890,072	870,929	13,298,628	-	66,715,826
Total expenses	(5,715,638)	(5,209,082)	(1,753,771)	(1,963,687)	(7,165,635)	(27,295,453)	(49,103,266)
Net (loss) income	20,171,875	18,559,602	1,136,301	(1,092,758)	6,132,993	(27,295,453)	17,612,560

Total expenses include general and administration expenses, impairment loss, exchange gain and net gain (loss) on disposal of property, equipment and intangible assets.

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

19 EARNINGS PER SHARE

Earnings per share attributable to income from main operations and net income is calculated by dividing the income from main operations and the net income for the year, respectively, by the weighted average number of shares outstanding during the year which for 2015 were 10,000,000 shares (2014: 20,849,315 shares).

20 RISK MANAGEMENT

Special commission rate risk

The Company is subject to special commission rate risk on its commission bearing assets, including, mainly investments, loans and bank deposits. The Company is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities instruments that mature or re-price in a given period. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The table below summarizes the Company's exposure to special commission rate risks. Included in the tables are the Company's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

2015	<i>Non special commission bearing</i>				<i>Total SR</i>
	<i>SR</i>	<i>Up to 1 year SR</i>	<i>1 to 5 Years SR</i>	<i>> 5 years SR</i>	
Cash and cash equivalents	9,080,746	28,634,810	-	-	37,715,556
Accounts receivable, prepayments and other current assets	27,915,941	-	-	-	27,915,941
Loans	10,000,000	462,227	-	-	10,462,227
Investments	16,271,654	-	38,875,784	23,499,746	78,647,184
Property and equipment	3,413,099	-	-	-	3,413,099
Intangible assets	2,077,059	-	-	-	2,077,059
Total assets	68,758,499	29,097,037	38,875,784	23,499,746	160,231,066
Accounts payable and accruals	12,549,178	-	-	-	12,549,178
Zakat and income tax payable	1,205,758	-	-	-	1,205,758
Employees' terminal benefits	5,371,056	-	-	-	5,371,056
Total liabilities	19,125,992	-	-	-	19,125,992
Special commission rate sensitivity gap	49,632,507	29,097,037	38,875,784	23,499,746	
Cumulative special commission rate gap	49,632,507	78,729,544	117,605,328	141,105,074	
Represented by shareholders' equity					141,105,074

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

20 RISK MANAGEMENT (continued)

Special commission rate risk (continued)

2014	<i>Non special commission</i>				<i>Total SR</i>
	<i>bearing SR</i>	<i>Up to 1 year SR</i>	<i>1 to 5 Years SR</i>	<i>> 5 years SR</i>	
Cash and cash equivalents	7,563,738	7,727,937	-	-	15,291,675
Accounts receivable, prepayments and other current assets	24,191,880	-	-	-	24,191,880
Investments	51,500,525	63,043,782	-	10,060,023	124,604,330
Property and equipment	3,398,019	-	-	-	3,398,019
Intangible assets	665,390	-	-	-	665,390
Total assets	87,319,552	70,771,719	-	10,060,023	168,151,294
Accounts payable and accruals	16,821,701	-	-	-	16,821,701
Dividend payable	13,969,364	-	-	-	13,969,364
Zakat and income tax payable	2,591,985	-	-	-	2,591,985
Employees' terminal benefits	4,050,782	-	-	-	4,050,782
Total liabilities	37,433,832	-	-	-	37,433,832
Special commission rate sensitivity gap	49,885,720	70,771,719	-	10,060,023	
Cumulative special commission rate gap	49,885,720	120,657,439	120,657,439	130,717,462	
Represented by shareholders' equity					130,717,462

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. Financial assets, which are potentially subject to concentration of credit risk, consist principally of cash at bank, loans, investments and other assets.

The table below shows the maximum exposure to credit risk for components of the balance sheet:

	2015 SR	2014 SR
Bank balances	37,674,159	15,236,952
Loans	10,462,227	-
Held to maturity investments	38,875,784	63,043,782
Accounts receivable and other current assets	18,152,620	17,216,378
Available for sale investments	23,499,746	10,060,023
	128,664,536	105,557,135

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

20 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in releasing funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that bank facilities are available through its principal shareholder. The table below summarises the maturities of the Company's assets and liabilities at 31 December, based on contractual payment dates.

2015	Up to 1 year SR	1 to 5 Years SR	> 5 years SR	No fixed maturity SR	Total SR
Cash and cash equivalents	37,674,159	-	-	41,397	37,715,556
Accounts receivable, prepayments and other current assets	27,915,941	-	-	-	27,915,941
Loans	10,462,227	-	-	-	10,462,227
Investments	-	38,875,784	23,499,746	16,271,654	78,647,184
Property and equipment	-	-	-	3,413,099	3,413,099
Intangible assets	-	-	-	2,077,059	2,077,059
Total assets	76,052,327	38,875,784	23,499,746	21,803,209	160,231,066
Accounts payable and accruals	12,549,178	-	-	-	12,549,178
Zakat and income tax payable	1,205,758	-	-	-	1,205,758
Employees' terminal benefits	-	-	-	5,371,056	5,371,056
Total liabilities	13,754,936	-	-	5,371,056	19,125,992
Liquidity gap	62,297,391	38,875,784	23,499,746	16,432,153	
Cumulative gap	62,297,391	101,173,175	124,672,921	141,105,074	
Represented by shareholders' equity					141,105,074
2014	Up to 1 year SR	1 to 5 Years SR	> 5 years SR	No fixed maturity SR	Total SR
Cash and cash equivalents	15,236,952	-	-	54,723	15,291,675
Accounts receivable, prepayments and other current assets	24,191,880	-	-	-	24,191,880
Investments	63,043,782	-	10,060,023	51,500,525	124,604,330
Property and equipment	-	-	-	3,398,019	3,398,019
Intangible assets	-	-	-	665,390	665,390
Total assets	102,472,614	-	10,060,023	55,618,657	168,151,294
Accounts payable and accruals	16,821,701	-	-	-	16,821,701
Dividend payable	-	-	-	13,969,364	13,969,364
Zakat and income tax payable	2,591,985	-	-	-	2,591,985
Employees' terminal benefits	-	-	-	4,050,782	4,050,782
Total liabilities	19,413,686	-	-	18,020,146	37,433,832
Liquidity gap	83,058,928	-	10,060,023	37,598,511	
Cumulative gap	83,058,928	83,058,928	93,118,951	130,717,462	
Represented by shareholders' equity					130,717,462

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

20 RISK MANAGEMENT (continued)

Currency risk

Currency risk is the risk that the value of assets and liabilities denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The table below summarises the Company's exposure in different currencies based on values in Saudi Riyals, based on exchange rates at 31 December:

2015	Saudi Riyals SR	US Dollars SR	Lebanese Pounds SR	Other currencies SR	Total SR
Cash and cash equivalents	2,731,900	34,178,160	-	805,496	37,715,556
Accounts receivable, prepayments and other current assets	24,791,102	1,790,355	1,302,405	32,079	27,915,941
Loans	10,462,227	-	-	-	10,462,227
Investments	1,355,089	38,416,311	38,875,784	-	78,647,184
Total assets	39,340,318	74,384,826	40,178,189	837,575	154,740,908
Accounts payable and accruals	11,520,263	963,795	65,120	-	12,549,178
Zakat and income tax payable	1,205,758	-	-	-	1,205,758
Employees' terminal benefits	5,371,056	-	-	-	5,371,056
Total liabilities	18,097,077	963,795	65,120	-	19,125,992
Net gap	21,243,241	73,421,031	40,113,069	837,575	
Cumulative gap	21,243,241	94,664,272	134,777,341	135,614,916	
2014	Saudi Riyals SR	US Dollars SR	Lebanese Pounds SR	Other currencies SR	Total SR
Cash and cash equivalents	4,737,097	9,749,733	-	804,845	15,291,675
Accounts receivable, prepayments and other current assets	20,052,321	2,146,722	1,958,852	33,985	24,191,880
Investments	8,628,442	52,932,106	63,043,782	-	124,604,330
Total assets	33,417,860	64,828,561	65,002,634	838,830	164,087,885
Accounts payable and accruals	15,866,500	857,258	97,943	-	16,821,701
Dividend payable	13,969,364	-	-	-	13,969,364
Zakat and income tax payable	2,591,985	-	-	-	2,591,985
Employees' terminal benefits	4,050,782	-	-	-	4,050,782
Total liabilities	36,478,631	857,258	97,943	-	37,433,832
Net gap	(3,060,771)	63,971,303	64,904,691	838,830	
Cumulative gap	(3,060,771)	60,910,532	125,815,223	126,654,053	

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

20 RISK MANAGEMENT (continued)

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the levels of equity indices and the value of individual stocks.

Effect on equity for investment securities listed on GCC stock exchanges for 1 basis point is SR 112,026 (2014: SR 598,714). The effect of any decreases in equity prices is expected to be equal and opposite to the effect of the increase shown.

21 CAPITAL REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The capital base, minimum capital requirement and capital adequacy ratio of the Company as per the CMA's Prudential Rules are as follows:

	2015 SR '000	2014 SR '000
<i>Capital Base:</i>		
Tier 1 Capital	137,271	120,399
Tier 2 Capital	1,757	9,653
Total Capital Base	139,028	130,052
<i>Minimum Capital Requirement:</i>		
Market Risk	7,149	10,198
Credit Risk	54,725	72,304
Operational Risk	10,958	11,122
Total Minimum Capital Required	72,832	93,624
<i>Capital Adequacy Ratio:</i>		
Total Capital Ratio (times)	1.91	1.39
Tier 1 Capital Ratio (times)	1.88	1.29
Surplus in the capital	66,196	36,428

- a) The capital base consists of Tier 1 capital (which includes share capital, statutory reserve and audited retained earnings) and Tier 2 capital (include unrealized gain on available for sale investments) as per article 4 and 5 of the Prudential Rules. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules.
- b) The Company manages its capital base in light of Pillar I and Pillar II of the Prudential Rules - the capital base should not be less than the minimum capital requirement.
- c) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.
- d) The Company discloses on annual basis certain information as per Pillar III of the Prudential Rules for public on the Company's website (www.audicapital.com). However these are not subject to review or audit by the external auditors of the Company.

22 DIVIDENDS

No interim dividend has been announced by the Board of Directors of the Company for the year ended 31 December 2015 (31 December 2014 : SR 13,969,364 – SR 1.4 per share)

Audi Capital Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

23 APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors, in its meeting held on 15 Jumada Al- Awal 1437H (corresponding to 24 February 2016), approved the financial statements.

24 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.