

**NOMW CAPITAL COMPANY FOR FINANCIAL
CONSULTANT**
(A Saudi Closed Joint Stock Company)
Financial Statements
For the period from 13 February 2014 to 31 December 2015
together with the
Independent Auditor's Report



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INDEPENDENT AUDITORS' REPORT

To: **The Shareholders of**
NOMW Capital Company for Financial Consultant
Riyadh, Kingdom of Saudi Arabia

We have audited the accompanying financial statements of **NOMW Capital Company for Financial Consultant** ("the Company") which comprise the balance sheet as at 31 December 2015 and the related statements of income, cash flows and changes in equity for the period from 13 February 2014 to 31 December 2015 and the attached notes (1) through (22) which form an integral part of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article (123) of the Regulations for Companies and Company's bylaws, 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. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

- 1) present fairly, in all material respects, the financial position of **NOMW Capital Company for Financial Consultant** ("the Company") as at 31 December 2015, and of its results of operations and its cash flows for the period from 13 February 2014 to 31 December 2015 in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and
- 2) comply with the requirements of the Regulations for Companies and the Company's bylaws with respect to the preparation and presentation of the financial statements.

**For KPMG Al Fozan & Partners
Certified Public Accountant**



Abdullah Hamad Al Fozan
License No. 348



Riyadh on 21 Jumada'II 1437H
Corresponding to: 30 March 2016

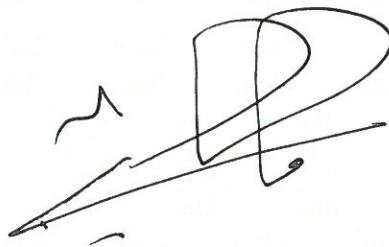
NOMW CAPITAL COMPANY FOR FINANCIAL CONSULTANT
 (A Saudi Closed Joint Stock Company)
BALANCE SHEET
As at 31 December 2015
(Saudi Arabian Riyals)

<u>ASSETS</u>	<u>Notes</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	4	22,744,845
Accounts receivable		195,316
Due from related parties	5	13,637,358
Held for trading securities	6	454,672
Advances and prepayments	7	1,102,518
Total current assets		<u>38,134,709</u>
Non-current assets		
Property and equipment	8	540,873
Available for sale investments	9	21,668,592
Total non-current assets		<u>22,209,465</u>
Total assets		<u>60,344,174</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities		
Accrued expenses and other current liabilities		451,368
Accrued Zakat	10	1,656,122
Total current liabilities		<u>2,107,490</u>
Total liabilities		<u>2,107,490</u>
Shareholders' equity		
Share capital	11	50,000,000
Statutory reserve	12	887,129
Retained earnings		7,984,160
Unrealized loss on available for sale investments	9	(634,605)
Total shareholders' equity		<u>58,236,684</u>
Total liabilities and shareholders' equity		<u>60,344,174</u>

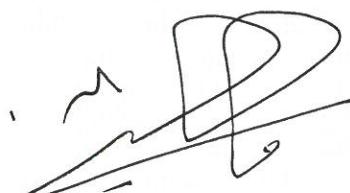
The accompanying notes from 1 to 22 form an integral part of these financial statements.

NOMW CAPITAL COMPANY FOR FINANCIAL CONSULTANT
 (A Saudi Closed Joint Stock Company)
STATEMENT OF INCOME
For the period from 13 February 2014 to 31 December 2015
(Saudi Arabian Riyals)

	For the period from 13 February 2014 to 31 December	<u>2015</u>
	<u>Notes</u>	<u>2015</u>
INCOME		
Arrangement fee	13	16,494,875
Structuring fee	5	4,100,000
Asset management fee	5	2,674,461
Income from proprietary investments	14	2,626,063
Placement fee	5	1,462,106
Custody fee	5	370,669
Total income		<u>27,728,174</u>
EXPENSES		
Salaries and employee related expenses	15	9,781,015
Rent		468,636
Marketing and advertising expenses		69,213
Depreciation	8	527,724
Pre-operating expenses	16	940,935
Other general and administrative expenses	17	4,355,890
Total expenses before impairment on investments		<u>16,143,413</u>
Net income before impairment on investments		<u>11,584,761</u>
Impairment of investments		(1,057,350)
NET INCOME BEFORE ZAKAT		<u>10,527,411</u>
Zakat charge for the year	10	(1,656,122)
NET INCOME AFTER ZAKAT		<u>8,871,289</u>
Earnings per share - Total income	18	5.55
Earnings per share - Net income	18	1.77

The accompanying notes from 1 to 22 form an integral part of these financial statements.

NOMW CAPITAL COMPANY FOR FINANCIAL CONSULTANT
 (A Saudi Closed Joint Stock Company)
STATEMENT OF CASHFLOWS
For the period from 13 February 2014 to 31 December 2015
(Saudi Arabian Riyals)

	For the period from 13 February 2014 to 31 December <u>Notes</u>	2015
Cash flows from operating activities:		
Net income for the period		10,527,411
<i>Adjustments to reconcile net income for the period to net cash used in operating activities:</i>		
Depreciation	8	527,724
Unrealized loss on held for trading investments	6	23,508
Realized gain on sale of available for sale investments		(194,614)
Realized gain on sale of held for trading investments		(2,412,890)
Impairment on investments	9	1,057,350
		9,528,489
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable		(195,316)
Due from related parties		(13,637,358)
Advances and prepayments		(1,102,518)
Accrued expenses and other current liabilities		451,368
Net cash used in operating activities		(4,955,335)
Cash flows from investing activities		
Purchase of property and equipment	8	(1,068,597)
Purchase of available for sale investments		(53,686,082)
Proceeds from sale of available for sale investments		30,041,969
Purchase of held for trading investments		(9,516,795)
Proceeds from sale of held for trading investments		11,929,685
Net cash used in investing activities		(22,299,820)
Cash flows from financing activities		
Proceeds from issuance of share capital		50,000,000
Net cash from financing activities		50,000,000
Net increase in cash and cash equivalents		22,744,845
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period		22,744,845

The accompanying notes from 1 to 22 form an integral part of these financial statements.

NOMW CAPITAL COMPANY FOR FINANCIAL CONSULTANT

(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

For the period from 13 February 2014 to 31 December 2015

(*Saudi Arabian Riyals*)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Unrealized loss on available for sale investments</u>	<u>Total equity</u>
Issuance of share capital	-	-	-	-	50,000,000
Net income for the period	-	-	8,871,289	-	8,871,289
Transfer to statutory reserve	-	887,129	(887,129)	-	-
Impairment of investment recognized in statement of income (Note 9)	-	-	-	1,057,350	1,057,350
Unrealized loss on available for sale investments	-	-	-	(1,691,955)	(1,691,955)
Balance at 31 December 2015	50,000,000	887,129	7,984,160	(634,605)	58,236,684

The accompanying notes from 1 to 22 form an integral part of these financial statements

NOMW CAPITAL COMPANY FOR FINANCIAL CONSULTANT
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENT
For the period from 13 February 2014 to 31 December 2015
(*Saudi Arabian Riyals*)

1. GENERAL

NOMW Capital Company for Financial Consultant (the “Company”) is a Saudi closed joint stock company established and registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010404870 on 17 Rabi-Al-Thani 1435H (corresponding to 17 February 2014). The Company carries out its activities under authorization license number 13172-37 dated 23 Muharram 1435H (corresponding to 26 November 2013) issued by the Capital Market Authority (CMA).

The principal activities of the Company are to carry out dealing as principal, underwriting, managing, arranging, advising and custodian in the securities business as per license of the CMA. Further, the Company received the approval of Ministry of Commerce and Industry to start its operations on Thursday 13 Rabi-Al-Thani 1435H corresponding to 13 February 2014.

The Company has shareholding in a special purpose entity (SPE), primarily for the purpose of holding legal title of investments which are beneficially owned by the mutual fund managed by the Company. The Company concludes that this entity cannot be consolidated to its financial statements as it could not establish control over the SPE:

The SPE is as follows:

- NOMW Al Masakin Company Limited

2. BASIS OF PREPARATION

These financial statements are prepared for the first financial reporting period from 13 February 2014 (date of approval of Ministry of Commerce and Industry) to 31 December 2015 and accordingly, no comparative figures have been presented.

a) Statement of compliance

These financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

b) Basis of measurement

These financial statements have been prepared on historical cost basis except for available for sale and held for trading investments, which are measured at fair value, using the accrual basis of accounting and the going concern concept.

c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Company.

d) Use of estimates and judgments

The preparation of the financial statements require management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

NOMW CAPITAL COMPANY FOR FINANCIAL CONSULTANT

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENT

For the period from 13 February 2014 to 31 December 2015

(Saudi Arabian Riyals)

2. BASIS OF PREPARATION (CONTINUED)

d) Use of estimates and judgments (Continued)

The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

	<u>Note</u>
• Accounts receivable	-
• Due from related parties	5
• Property and equipment – useful lives of assets	8
• Available for sale investments	9

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been adopted by the Company:

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Company without any restrictions.

b) Financial Instruments

Investment in securities held for trading

Investment in trade securities which are purchased for trading purposes are initially recorded at cost and then re-measured and stated in the balance sheet at market value and included under current assets. Realized gain or loss on sale of trade securities and changes in market value at balance sheet date are credited or charged to statement of income.

Available for sale investments (AFS)

Available for sale investments principally consist of less than 20% share in quoted equity investments, which are not held for trading purposes and where the Company does not have any significant influence or control. These are initially recognized and subsequently re-measured at fair value. Any changes in fair value are recognized in equity as fair value reserve until the investment is disposed. Any significant and prolonged decline in value of the available for sales investments, if any, is charged to the statement of income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

c) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognized in the statement of income when incurred.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of individual item of property and equipment. Gains and losses on disposals are determined by comparing disposal proceeds with carrying amount. These are included in the statement of income.

NOMW CAPITAL COMPANY FOR FINANCIAL CONSULTANT
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENT
For the period from 13 February 2014 to 31 December 2015
(*Saudi Arabian Riyals*)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

e) Foreign currency transaction

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the exchange rates prevailing at transaction dates. Monetary assets and liabilities at period-end, denominated in foreign currencies, are translated into Saudi Riyals at the exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses on translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

f) Assets held in trust or in a fiduciary capacity

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company and accordingly are not included in these financial statements.

g) Revenue recognition

Revenue is recognized as follows:

- Debt and Funds arranging fee is recognized based on the underlying agreements when the outcome of the transaction can be estimated reliably, i.e. when the services are completely performed.
- Gain / (loss) on sale of investments is recognized when the risk and rewards incident to ownership of related investment securities is passed to the buyer and it is derecognized.
- Fees charged for managing assets (including mutual funds) are recognized as the services are provided. Subscription fees are recognized upon subscription of the investor to the Fund.
- Dividends from investments are recognized when right to receive dividend is established.
- Commission income is recognized on an accrual basis.

h) Zakat

The Company is subject to zakat in accordance with the regulations of Saudi Department of Zakat and Income Tax (“DZIT”). An estimate of Zakat arising there from is provided by a charge to shareholders’ equity. Additional zakat liability, if any, related to prior years/periods assessments arising from DZIT are accounted for in the period in which the final assessments are finalized.

i) Expenses

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

NOMW CAPITAL COMPANY FOR FINANCIAL CONSULTANT
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENT
For the period from 13 February 2014 to 31 December 2015
(Saudi Arabian Riyals)

4. CASH AND CASH EQUIVALENTS

	<u>2015</u>
Short-term Murabaha deposit	20,000,000
Cash at banks – current accounts	2,744,831
Cash in hand	14
	<u>22,744,845</u>

5. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company include its shareholders and their affiliated companies. In the ordinary course of activities, transactions with related parties are carried out on mutually agreed terms, which are approved by the Company's executive committee.

The significant transactions with related parties during the period and the related amounts are as follows:

<u>Name of related party</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	
Eskan Company for Investment and Development	<i>Affiliate of a shareholder</i>	Arrangement fee	<u>4,074,875</u>
Mehad Investment Company	<i>Shareholder</i>	Arrangement fee	<u>500,000</u>
Nozzle for Investment and Development Company	<i>Affiliate of a shareholder</i>	Arrangement fee	<u>4,625,000</u>
NOMW Eskan Real Estate Fund	<i>Managed fund</i>	Structuring fee	4,100,000
		Management fee	2,521,767
		Arrangement fee	2,295,000
		Placement fee	1,175,000
		Custody fee	<u>336,236</u>
			<u>10,428,003</u>
NOMW IPO Fund	<i>Managed fund</i>	Placement fee	287,106
		Management fee	152,694
		Custody fee	<u>34,433</u>
			<u>474,233</u>

NOMW CAPITAL COMPANY FOR FINANCIAL CONSULTANT
 (A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENT
For the period from 13 February 2014 to 31 December 2015
(Saudi Arabian Riyals)

5. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The balances resulting from transactions with related parties and included in the accompanying financial statements are as follows:

	<u>2015</u>
Available for sale investments in managed funds:	
NOMW Eskan Real Estate Fund	9,993,900
NOMW IPO Fund	<u>9,888,953</u>
	<u>19,882,853</u>

Due from related parties:

NOMW Eskan Real Estate Fund	4,022,121
NOMW IPO Fund	<u>9,615,237</u>
	<u>13,637,358</u>

6. HELD FOR TRADING INVESTMENTS

The cost and fair value of held for trading investments as at 31 December, are as follows:

	<u>Cost</u>	<u>Unrealized loss</u>	<u>Fair value as at 31 December 2015</u>
Saudi Ground Services Company	248,500	(23,508)	224,992
Alandalaus Property Company	<u>229,680</u>	-	<u>229,680</u>
	<u>478,180</u>	<u>(23,508)</u>	<u>454,672</u>

7. ADVANCES AND PREPAYMENTS

	<u>2015</u>
Advances to:	
- Employees	18,248
- Others	845,434
Prepayments	<u>238,836</u>
	<u>1,102,518</u>

NOMW CAPITAL COMPANY FOR FINANCIAL CONSULTANT
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENT
For the period from 13 February 2014 to 31 December 2015
(Saudi Arabian Riyals)

8. PROPERTY AND EQUIPMENT

	2015				
	<u>Lease hold improvements</u>	<u>Computers</u>	<u>Furniture & fixtures</u>	<u>Motor vehicles</u>	<u>Total</u>
Cost					
Additions during the period	<u>382,725</u>	<u>281,102</u>	<u>229,870</u>	<u>174,900</u>	<u>1,068,597</u>
As at 31 December	<u>382,725</u>	<u>281,102</u>	<u>229,870</u>	<u>174,900</u>	<u>1,068,597</u>
Depreciation					
Charge for the period	<u>257,469</u>	<u>124,731</u>	<u>111,215</u>	<u>34,309</u>	<u>527,724</u>
As at 31 December	<u>257,469</u>	<u>124,731</u>	<u>111,215</u>	<u>34,309</u>	<u>527,724</u>
Net book value as at 31 December 2015	<u>125,256</u>	<u>156,371</u>	<u>118,655</u>	<u>140,591</u>	<u>540,873</u>

The estimated useful lives of the principal classes of assets are depreciated as follows:

	<u>Useful lives</u>
Lease hold improvements	Over the lease period
Computers	3 years
Furniture & Fittings	3 years
Motor vehicles	5 years

NOMW CAPITAL COMPANY FOR FINANCIAL CONSULTANT
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENT
For the period from 13 February 2014 to 31 December 2015
(Saudi Arabian Riyals)

9. AVAILABLE FOR SALE INVESTMENTS

The cost and fair value of available for sale investments as at 31 December, are as follows:

	<u>Cost</u>	<u>Unrealized loss</u>	<u>Impairment recorded in current year</u>	<u>Fair value as at 31 December 2015</u>
Open-ended fund	10,202,645	(313,692)	-	9,888,953
Close-ended fund	10,000,000	(6,100)	-	9,993,900
Equity shares	3,157,902	(314,813)	(1,057,350)	1,785,739
	<u>23,360,547</u>	<u>(634,605)</u>	<u>(1,057,350)</u>	<u>21,668,592</u>

10. ACCRUED ZAKAT

The principal elements of zakat base are as follows:

	<u>2015</u>
Shareholders' equity	58,871,289
Adjusted net income	11,562,462
Amount deductible	(4,188,870)
	<u>66,244,881</u>

Some of these amounts have been adjusted in arriving at the zakat charge for the year. Zakat is calculated based on zakat base.

The movement in provision for zakat for the period ended 31 December, is as follows:

	<u>2015</u>
Provision made during the period	1,656,122
Payment made during the period	-
Balance at end of the period	<u>1,656,122</u>

The Company is in the process of submitting Zakat and income tax declarations with the Department of Zakat and Income Tax (DZIT) for the period up to 31 December 2015

NOMW CAPITAL COMPANY FOR FINANCIAL CONSULTANT
(A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENT
For the period from 13 February 2014 to 31 December 2015
(Saudi Arabian Riyals)

11. SHARE CAPITAL

At 31 December 2015, the share capital of the Company was SR 50,000,000 divided into 5,000,000 shares of SR 10 each, which are fully paid and owned as follows:

<u>Name of shareholders</u>	<u>No. of shares</u>	<u>%</u>	<u>Amount</u>
Mehad Investment Company	1,500,000	30%	15,000,000
Al-Tayar Investment and Real-estate Development Company	1,250,000	25%	12,500,000
Dr. Naser Bin Aqeel Al-Tayar	750,000	15%	7,500,000
Dr. Ahmed Bin Abdullah Al-Mohaymeed	750,000	15%	7,500,000
Dr. Nabih Bin Abdulrehman Al-Jabr	750,000	15%	7,500,000
Total	5,000,000	100%	50,000,000

12. STATUTORY RESERVE

The Company computed statutory reserve in accordance with Article 176 of Saudi Arabian Regulations for Companies, where applicable i.e. transferring of 10% of net income for the year to a statutory reserve until such reserve equals to 50% of paid-up capital. Accordingly, the Company has transferred 10% of its net income for the period to statutory reserve. The reserve is not available for distribution.

13. ARRANGEMENT FEE

	<u>For the period from 13 February 2014 to 31 December 2015</u>
From related parties (Note 5)	11,494,875
From third parties	<u>5,000,000</u>
	<u>16,494,875</u>

14. INCOME FROM PROPRIEATRY INVESTMENTS

	<u>For the period from 13 February 2014 to 31 December 2015</u>
Realized gain on held for trading investments, net	2,412,890
Unrealized loss on held for trading investments (Note 6)	(23,508)
Realized gain on available for sale investments	194,614
Dividend income	7,623
Commission income	34,444
	<u>2,626,063</u>

NOMW CAPITAL COMPANY FOR FINANCIAL CONSULTANT
 (A Saudi Closed Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENT
For the period from 13 February 2014 to 31 December 2015
(Saudi Arabian Riyals)

15. SALARIES AND EMPLOYEE RELATED EXPENSES

	For the period from 13 February 2014 to 31 December <u>2015</u>
Salaries and allowance	6,956,744
Terminal benefits - GOSI	415,351
Bonus	2,099,342
Others	309,578
	<u>9,781,015</u>

16. PRE-OPERATING EXPENSES

The pre-operating expenses comprise of lawyer fee, consultancy fee and other professional fees incurred during the incorporating phase of the Company.

17. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the period from 13 February 2014 to 31 December <u>2015</u>
Professional and consultancy fee	3,273,826
Utilities and office expense	124,036
Licensing and subscription fee	407,670
Printing and stationary	127,977
Insurance expense	133,646
Travelling expense	190,036
Computer supplies	31,995
Others	66,704
	<u>4,355,890</u>

18. EARNINGS PER SHARE

Income per share is calculated by dividing income from operations for the period ended 31 December 2015 by the weighted average number of issued and paid-up ordinary shares outstanding during the period. Net income per share is calculated by dividing net income for the period ended 31 December 2015 by the weighted average number of issued and paid-up ordinary shares outstanding during the period.

NOMW CAPITAL COMPANY FOR FINANCIAL CONSULTANT

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENT

For the period from 13 February 2014 to 31 December 2015

(Saudi Arabian Riyals)

19. ASSETS HELD UNDER FIDUCIARY CAPACITY

Pursuant to CMA's Authorized Persons Regulations requiring Client money segregation, the Company holds clients' money in Omnibus accounts at a local bank to carry out its dealing, managing and custody activities. As at 31 December 2015, the clients' cash accounts held by the Company amounted to SR 128.4 million. Consistent with the Company's accounting policy, such balances are not included in the Company's financial statements as these are held by the Company in fiduciary capacity.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts receivable, due from related parties, advances, available for sale investments and accrued expenses and other current liabilities.

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. Credit risk is mainly attributable to due from related parties, accounts receivable, advances and cash and cash equivalent.

As at 31 December 2015, the Company has due from related parties of SR 13.6 million and accounts receivable of SR 0.2 million, which represents its maximum exposure to credit risk. The Company has made proper assessment of creditworthiness of the counterparties including review of external rating, when available, and their net worth before entering transactions with them. The Company monitors periodically financial strength and liquidity position of these parties due to having close relationships with these parties. Cash and cash equivalent includes bank balances that are placed with reputed local commercial banks having sound credit ratings and therefore, the credit risk is limited. Further, advances are stated at their estimated realizable values.

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 in Saudi Riyals and USD. The rate of exchange for conversion of SR to USD is pegged, on the basis of which the management believed that the Company is not significantly exposed to risk of fluctuation on foreign exchange rate.

Liquidity risk

Liquidity risk is the risk that the Company 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 management manages the liquid risk by monitoring on a regular basis that sufficient funds are available to meet liquidity requirements. Further, the management closely monitors maturity profile of assets and liabilities to overcome liquidity gap, if any.

Equity price risk

Equity price risk arises from available for sale investments. Management of the Company monitors equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Company's management.

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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As the accompanying financial statements are prepared under the historical cost method, except for the revaluation of the available for sale investments at fair value through equity, differences may 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.

21. CAPITAL MANAGEMENT

Capital Market Authority has issued Prudential Regulations (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 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 required and capital adequacy ratios as follows:

	<u>2015</u>
	‘000
<u>Capital Base</u>	
Tier I Capital	58,213
Tier II Capital	-
Total Capital Base	58,213
 <u>Minimum capital requirement</u>	
Market risk	-
Credit risk	12,476
Operational risk	4,159
Total Minimum Capital Required	16,635
 Surplus/ Deficit in Capital	41,578
Total capital ratio (times)	3.50

The capital that the Company are required to hold is determined by our balance sheet, off - balance sheet, counterparty and other risk exposures. Suitable processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory ratios. These processes are designed to ensure that we have sufficient capital available to meet local regulatory capital requirements at all times.

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21. CAPITAL MANAGEMENT (Continued)

- a) Capital Base of the Company comprise 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
- b) The minimum capital requirements for market, credit & operational risk are calculated as per the requirements specified in the part 3 of the Prudential Rules issued by the CMA.
- 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.

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 21 Jumada'II 1437H corresponding to 30 March 2016.