



Annual Report



السعودي الهولندي المالية
Saudi Hollandi Capital

In the name of Allah
Most Merciful,
Most Compassionate

Custodian of the Two Holy Mosques
King Salman Bin Abdulaziz Al-Saud



His Royal Highness
Prince Mohammad Bin Nayef Al-Saud
Crown Prince, Deputy Prime Minister,
Minister of Interior



His Royal Highness
Prince Mohammad Bin Salman Al-Saud
Second Crown Prince,
Minister of Defence



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Board of Directors

Saleh Eid Hamdan Al-Husseini

Chairman
Independent Board Member

Zaid Al-Gwaiz

Independent Board Member

Bernd Van Linder

Board Member
Managing Director of SHB

Salman M Al-Deghaither

Independent Board Member

Khalid Al-Muammar

Chief Executive Officer of SHC

Saudi Hollandi Capital

CMA license number 07077-37

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Senior Management

Sitting left to right

Mishal Al-Hawas

Head of Asset Management

Khalid Al-Muammar

Chief Executive Officer (CEO)

Ali Al-Faraj

Head of Global Markets
& Securities Services

Standing from left to right

Abdallah Saade

Head of Investment Banking

Mohammed Tajammul

Chief Operation Officer

Imran Iqbal

Head of Business Development
& Wealth Management





Director's Report

Directors' Report

For The Year Ended 31 December 2015

1. INTRODUCTION

The Board of Directors of Saudi Hollandi Capital (SHC) is pleased to present its annual report for the financial year ended 31 December 2015.

The year 2015 proved to be extremely challenging both in the markets overall and for Saudi Hollandi Capital. The second half of the year saw a significant fall in the local equity market driven by a number of factors including geopolitics, a drop in oil prices and a slowdown in China. This led to high market volatility resulting in reduced trading volumes as clients preferred to wait until there was less uncertainty and more stability.

Despite these challenging market conditions, there were some notable achievements by Saudi Hollandi Capital in 2015. These included significant progress towards transferring the margin trading product from the bank to support our brokerage clients. In Asset Management, the fund managers were able to focus on performance resulting in some of the funds achieving top rankings amongst competitors. We were also able to increase the Assets Under Management especially in Discretionary Portfolios compared to the previous year. In Investment Banking revenues increased from transactions and investments and a healthy pipeline of deals was built up during the year through persistent marketing.

We expect 2016 to be as challenging, if not more, due to sustained low oil prices and continued market volatility. However, with a focused effort and superior service, we will continue to attract and maintain clients.

2. BUSINESS REVIEW

2.1 Asset Management

Background of Services

With a broad base of tradition and experience accumulated over many years, Saudi Hollandi Capital, the investment arm of Saudi Hollandi Bank, provides a comprehensive system of investment tools and financial solutions with added value and competitive advantage. SHC seeks to exceed the expectations of clients aspiring to develop their capital within secure channels and will help grow revenues based on strong and solid foundations.

SHC Asset Management offers its clients both packaged and customized solutions depending on their particular investment needs. It manages 16 conventional and Shariah-compliant Mutual Funds and Fund of Funds, offering

investors access to local, regional and global markets through a team of experienced and qualified professionals. Asset Management also offers Managed Accounts for High Net Worth individuals as well as for corporate and institutional clients.

Review of 2015

In spite of the current market volatility and instability especially in the region, SHC Asset Management continued to build upon its impressive performance record of previous years. No less than 6 of its 16 funds ranked in the top 3 in their categories

Most of SHC Mutual Funds had participated in public and private IPO's, sukuk issuance and rights issues in the market. This has given our funds the opportunity to further diversify its holdings and enhance their returns.

In 2015, SHC Asset Management received CMA approval to make some changes in the terms and conditions of some funds. The aim of these changes is to give a greater opportunity to enhance returns.

Outlook for 2016

In 2016, SHC seeks to continue the outstanding performance in managing the mutual funds and investments. SHC Asset Management aims to increase its market share in personal investments business by aggressively marketing its funds, investment products and other investment services which suit its valuable clients.

We will also continue our plan and expand further in the challenging and remunerative business of managing discretionary portfolios for the High Net Worth segment in various assets classes, in domestic and international markets.

2.2 Brokerage

Background of Services

SHC Brokerage is the execution arm of Saudi Hollandi Capital. It offers clients a wide range of products including local equity, international equity, and fixed income products in both local & international markets.

For Local Equity Brokerage, clients rely on our multiple trading channels including SHC e-Tadawul, mobile solutions and Centralized Share Trading Unit to trade on all Tadawul listed stocks, ETF and Sukuk.

For clients who are dealing in International markets, SHC

Brokerage offers a full range of market leading brokerage services including execution, clearing and safekeeping.

Market Summary

[Source: Tadawul Annual Report 2015 published on Tadawul Website]

The total value of shares traded in the Saudi stock market (Tadawul) for the year 2015 reached SAR 1,660.62 billion compared to SAR 2,146.51 billion for the previous year, decreasing by 22.64%.

The total number of transactions executed during the year 2015 reached 30.44 million compared to 35.76 million trades for the previous year, decreasing by 14.87%. The total number of shares traded for the year 2015 reached 65.99 billion compared to 70.75 billion during the previous year, decreasing by 6.48%.

The daily average value of shares traded during the year 2015 reached SAR 6,616.02 million compared to SAR 8,586.05 million for the previous year, decreasing by 22.94%.

By the end of 2015, TASI (Tadawul All Shares Index) closed at 6,911.76 points compared to 8,333.30 points by the end of the previous year, decreasing by 17.06%.

Four additional companies listed on Tadawul during 2015 making the total number of listed companies to reach 171 if you also include the suspended ones.

Review of 2015

SHC's total value of shares traded for the year 2015 reached SR 51 billion compared to SAR 79.22 billion for the previous year, decreasing by 35.62%. The total number of transactions executed during 2015 reached 731 thousand compared to 1.01 million trades for the previous year, decreasing by 27.62%. SHC's online total value of shares traded for 2015 reached SAR 20 billion compared to SAR 28.42 billion for the previous year, decreasing by 29.62%. SHC online channels have contributed 38% of SHC's total value traded in 2015 compared to 36% in the previous year.

SHC total value traded in International Markets & Fixed Income reached SAR 3.41 billion (US\$908 million) compared to SAR 1.26 billion (US\$335 million) for the previous year, increasing by 170.63%.

Outlook for 2016

SHC aims to increase our market share in both local and international brokerage by focusing on customers' current needs and demands.

2.3 Investment Banking

Background of Services

Investment Banking Department (IBD) offers a wide array of services including Initial Public Offerings (IPO), Rights

Issues (RI), Merger & Acquisition (M&A), Sukuk Issues as well as managing SHC's investments in IPOs and RI Offerings.

For IPOs and RIs, IBD plays one or more of three roles namely, Financial Advisor, Lead Manager and Underwriter.

IBD also arranges M&A transactions for its corporate clients, where IBD may act as a sell-side or a buy-side advisor.

Review of 2015

During the year 2015, IBD provided financial advisory services and acted as lead manager and underwriter on several public transactions. Furthermore, IBD advised a number of its clients on M&A transactions and made a number of investments in IPOs and RIs and managed to exit these investments realizing good returns.

Outlook for 2016

It is expected that 2016 will be a tough year for the investment banking industry in the Kingdom mainly as a result of the economic slowdown that the country is witnessing since the second half of 2015. Given the signed mandates and the healthy pipeline brought forward from 2015 and the solid sourcing efforts by the team, IBD is expecting a good 2016 driven mainly by M&A activities.

2.4 Operations

Saudi Hollandi Capital Operations Group's critical role in day to day functions is the basis for the company to provide financial products and services to the current and potential clients. Operations have played an important part in supporting the overall business strategy of 2015. Being focused on operational excellence, the Operations Group has built a reputation of "never sleeping" throughout the year, where departmental support has been administered for all product and services.

Operations has re-engineered and automated various business processes to attain optimized productivity with the appropriate resource utilization as part of its several projects executed in 2015.

2.5 Compliance

Saudi Hollandi Capital's Compliance Department is responsible for assisting the company, its management and Board, in identifying, measuring and mitigating any compliance exposures. The Compliance function remit includes:

- monitoring regulatory changes
- conducting compliance risk assessments
- drafting, maintaining and implementing policies and procedures
- increasing staff awareness
- monitoring, checking and reviewing compliance with CMA rules and regulations, and

- reporting on the status of compliance and controls to the Board of SHC

2.6 Risk Management

Saudi Hollandi Capital addresses all of its current risks and exposures in line with internal requirements (mandated by both the capital holder and SHC's Board) and in line with regulatory requirements. At the moment, however, SHC has not formed a separate, centralized, dedicated risk management unit and risk management team. The justification for this rests with the following sets of factors:

- a) The current risk profile and composition of risks inherent in the business;
- b) The current level and complexity of SHC's operations;
- c) The rationale to align with the overall, enterprise-level risk policies, governance and framework set out by SHC's capital holder and benefit from their expertise.

Therefore, to ensure optimum effectiveness and efficiency, certain functions have been outsourced subject to Service Level Agreements between SHC and its capital holder. However, the monitoring of SHC's day-to-day risk management processes has been established within SHC and managed through SHC's Risk Management Committee.

The process and risk management techniques are regularly reviewed and updated to ensure consistency with SHC's risk-taking activities taking into account the size and complexity of its operations, its business environment, its regulatory environment and the strategy of SHC.

The Risk Management department drives the company's short / long term objectives from a risk perspective, as well as performing its day-to-day functions, to provide the Risk Management Committee / Board of Directors with a reasonable assurance that the company is adequately controlling and mitigating its risks.

The Operational Risk team, being part of the Group Risk department, forms a central risk function ensuring staff understand the main risks and responsibilities with respect to Operational Risk Management (ORM) in their day-to-day activities.

2.7 Business Development & Wealth Management

The Business Development department was created to assist the three business areas of Brokerage, Asset Management & Capital Markets to help increase their revenues. The team is also responsible for assisting the CEO with devising and implementing the strategy of Saudi Hollandi Capital.

In 2015, the Business Development team was merged with the Wealth Management team to benefit from synergies. The role of the Wealth Manager is to bring in new clients for Brokerage & Asset Management as well as manage the existing relationships. Given that the objectives of both teams are similar it made sense to align them.

From a business development point of view we updated the SHC strategy in 2015 to take into account current conditions and presented it to the Executive Committee. In addition the new business campaign to incentivize staff to bring in new clients was enhanced to take into account changes to products and processes.

From a wealth management point of view, 2015 was very challenging given the volatile market conditions. It was difficult to attract new clients though there were notable achievements in DPMs and Mutual Funds. Also, we were able to implement more accurate targets at a product & regional level which were linked to the budget along with MIS to measure against them.

2016 is expected to be another tough year due to market conditions and general uncertainty. Despite this we believe that through a focused approach we will be able to yield positive results.

3. STRATEGY

Saudi Hollandi Capital's ambition is to become a leading provider of innovative investment banking and wealth management solutions in addition to providing private and institutional clients with superior investment products and advisory services while maintaining higher than average fee margins backed by a strong service/value proposition.

Four value drivers determine the strategic objectives of Saudi Hollandi Capital and they are: Financial Profitability, Customer Centricity, Process Excellence and High performance culture. The different strategic objectives that are derived by the four mentioned above are stated below.

In 2013, SHC implemented a 3yr plan to grow its three businesses of Brokerage, Asset Management, and Investment Banking. In 2016 we are planning to devise a new 3yr plan going forward with the help of some external consultants. In the meantime, we will extend the current strategy as given below.

3.1 Brokerage

The overall objective for the Brokerage business is to increase revenues mainly by growing market share in local equity as well as other initiatives. Given the current volatile market conditions, customers are understandably cautious and have reduced their activity. Hence, 2016 will start with a lower base than anticipated resulting in a more challenging environment to grow market share. Despite this we are planning to go ahead with a number of specific strategies which include:

- Improve the margin trading offering by transferring the responsibilities to SHC and introducing new products
- Increase our customer base by focusing on the highly active traders
- Develop the system with a major upgrade expected in Q2 2016 to give our customers a state-of-the-art trading platform with more functionality and stable performance

- Diversify brokerage income by focusing on margin lending, international equities and fixed income brokerage
- Streamlining processes and maximizing trader efficiency with a focus to increase online trading amongst our customers

3.2 Asset Management

The main aim of the Asset Management business is to increase AUM. The current market conditions have resulted in a significant outflow from mutual funds. 2016 will be challenging both in terms of maintaining high performance as well as attracting new customers. However we will continue to apply specific strategies to achieve targets by the following:

- Launch of new funds (including private & closed-end funds) according to customer needs
- Continue to focus on performance and maintain top ranking amongst competitors
- Increase the number of DPM mandates by offering different solutions to our customers
- Purchase and implement a portfolio management system to help grow the business without compromising controls

3.3 Investment Banking

The main objective of the Investment Banking business is to increase the number of mandates. The efforts for 2016 will be in a number of areas as follows:

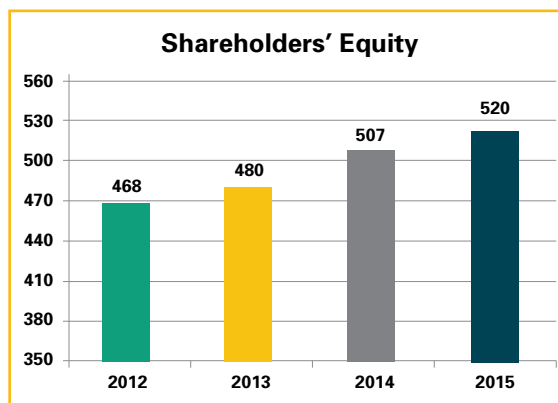
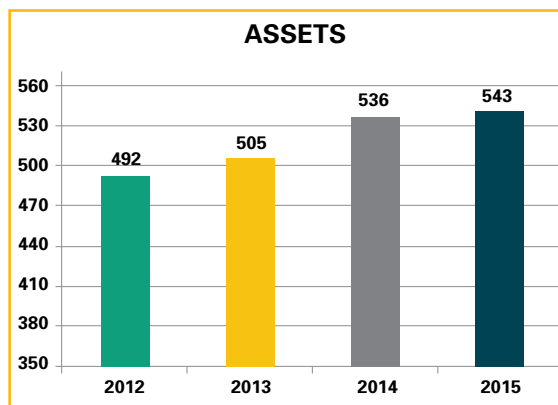
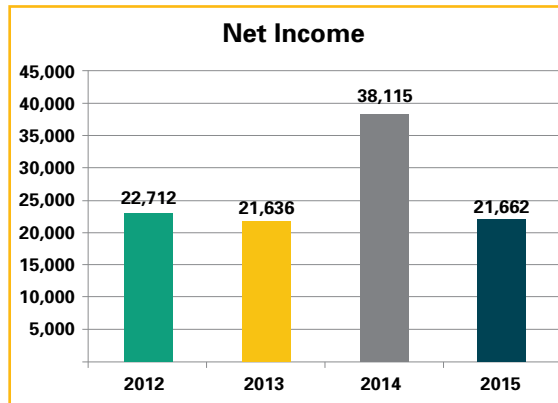
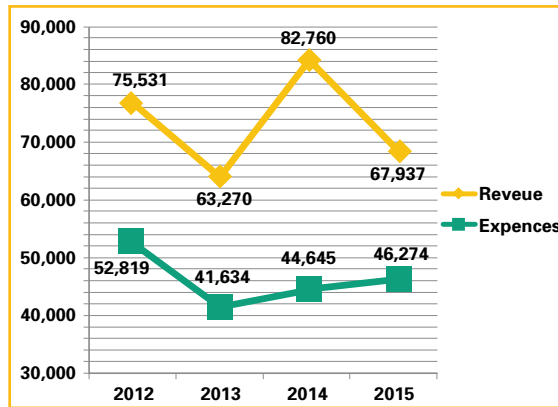
- Build a track record in IPOs with the support of Saudi Hollandi Bank
- Use our good reputation in Rights Issues to gain new clients especially outside the insurance sector
- Target mid-sized corporate for sukuk issuance
- Identify privatization opportunities and ensure we are invited to propose
- Continue to underwrite transactions
- Focus on winning M&A mandates and private placements
- identify direct investment opportunities as they arise

4. FINANCIAL HIGHLIGHTS

In 2015, driven by the decline in the Tadawul All Share Index (TASI), Saudi Hollandi Capital reported an 18% reduction in revenues mainly from Brokerage activities. 2015 was a challenging year for the brokerage business as the value of shares traded on Tadawul was down by 23% compared to 2014, leading to a 33% decline in SHC's brokerage revenue.

Asset Management income has decreased by 5% as compared to 2014 mainly from challenging market conditions in 2015. SHC was able to noticeably grow its income from Investment Banking by 11% compared to the same period last year. The Investment Banking department expects its revenue to grow further in 2016, especially since certain transactions which were expected to be executed in 2015 were delayed and are now expected to close in 2016.

Total Assets and Shareholders' Equity grew by 1% and 3% to SAR 543 million and SAR 520 million, respectively in 2015.



5. FINANCIAL REPORTING STANDARDS & AUDIT

Saudi Hollandi Capital prepares its Financial Statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia promulgated by the Saudi Organization for Certified Public Accountants (SOCPA) and as required by the Capital Market Authority.

5.1 2015 Audit Activities:

In November 2014 Saudi Hollandi Capital established an independent Internal Audit department. The Head of Internal Audit reports to the Audit Committee which in turn reports to the Board of Directors.

Internal audit represents the ultimate internal control function within the organization so that the independent assessment of internal controls performed at each management level is ensured.

The internal audit function provides SHC management with an independent and objective assessment of the effectiveness of the internal control framework. This objective is achieved by following a risk based audit plan which is approved by the audit committee on a yearly basis. Through its annual plan Internal Audit provides independent assurance that the management of key risks across the Company is conducted in line with the approved risk framework, risk policies and relevant operating policies and procedures.

The Audit Committee has periodic discussions with the management, the internal auditors and the external auditors on matters affecting financial statements, internal controls, and various governance and control issues and advises the Board of Directors accordingly. The Board acknowledges receipt of that advice.

5.2 SAFETY OF INTERNAL CONTROL SYSTEM

The Audit committee is a sub-committee of the Board. In addition to maintaining a satisfactory control environment and independence of the internal audit function, it reviews the specific internal audit findings and ensures prompt resolution by the management. The Audit committee relays its findings to the Board on a regular basis. The Board is of the opinion that the functioning of the internal audit system is appropriate and nothing has come to the attention of the Audit Committee that causes it to believe that the system of internal control has not been properly designed and implemented.

6. BOARD OF DIRECTORS

The membership status of the Company's directors during 2015 and their directorship in Saudi listed companies were as follows:

Name	Membership Status	Directorship in other listed companies
Saleh Eid Hamdan Al-Husseini	Independent	- Saudi Cable Company - Board Member - Saudi Industrial Investment Group - Board Member
Zaid Al-Gwaiz	Independent	- Middle East Specialized Cables - Board Member - Bupa Arabia for Cooperative Insurance - Board Member
Salman Al-Deghaither	Non-Executive	N/A
Bernd van Linder	Executive	- Saudi Hollandi Bank - Board Member - Watanyia Insurance Company - Board Member (as SHB's representative)
Khalid Al-Muammar	Executive	N/A

The Board of Directors convened four times during the year as per the table below:

Name	Membership Status
Saleh Eid Hamdan Al-Husseini	4
Zaid Al-Gwaiz	4
Salman Al-Deghaither	3
Bernd van Linder	3
Khalid Al-Muammar	4

Board Committees:

The Board of Directors in 2011 has formed three committees—the Executive Committee, the Audit Committee, and the Remuneration & Compensation Committee.

6.1 Executive Committee

The Executive Committee is empowered by the Board as per decision number (3) of the meeting held on 16-10-2011. The primary function of Executive Committee is to approve the strategic decisions and to oversee the over-all functioning of Saudi Hollandi Capital and shall be accountable to the Board of Directors for the performance of the Company. The duties and responsibilities of the Executive Committee included the following:

- Approve long term business and strategic objectives for the Company and make sure that the objectives are achieved.
- Approve the changes related to the corporate governance structure and management structure of the Company. This would also include entering into partnerships, joint ventures, disinvestments, expansions, acquisitions and strategic tie-ups.
- Responsible for overseeing compliance of governance principles stipulated by the CMA and other applicable regulatory authorities.
- Validate and approve major capital projects and investments, as well as strategic and non-ordinary contracts.
- Review and approve margin lending facility amounts that are beyond the powers of the Credit Committee.

The Committee consists of the Chairman and two members of the Board and four meetings were convened in 2015.

Mr. Bernd van Linder (Chairman)

Mr. Salman Al-Deghaither

Mr. Khalid Al-Muammar

6.2 Audit Committee

The Audit Committee was appointed by the Board as per decision number (1) of the meeting held on 16-10-2011, guided by the Resolution no. 3-4-2011 dated 19-02-1432H (23-01-2011G) issued by CMA Board of Directors; and also in accordance with Article no. 60 of 'Authorized Persons Regulations' issued by the Capital Market Authority (CMA) of Saudi Arabia.

The Purpose of the Committee is to examine and evaluate the adequacy and effectiveness of the Company's governance, risk management process, internal control structure and the quality of performance in carrying out assigned responsibilities to achieve the Company's strategic goals and objectives. In doing so, the Audit Committee will take guidance from the regulations issued by the CMA and / or by any other related authority. The Audit Committee is an independent committee reporting to the Board of Directors and will be composed of three non executive members. One

member of the Committee shall be a specialist in accounting and financial matters. The Chair and the members of the Audit Committee shall be appointed by the Board of Directors.

The duties and responsibilities of the Audit Committee included the following:

- Recommending to the Board the appointment, dismissal and remuneration of the external auditors and assessing their performance based on their academic and professional qualifications and level of expertise of their audit team members.
- Satisfying itself that there is no relationship (such as family, employment, investment, financial or business) between the audit firm and any of the planned team members and the company's management or the Board of Directors other than in the ordinary course of business.
- Recommend the appointment and removal of the Internal Audit Head of the Company or recommend outsourcing the Internal Audit function to Saudi Hollandi Bank.
- To supervise the Company's internal Audit function to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- To review the internal audit procedures and prepare a written report on such audit and its recommendations with respect to it.
- Review with the external auditors their audit plan and scope of work.
- Review the interim and annual financial statements prior to the presentation to the Board of Directors, and give opinion and recommendations with respect thereto.
- Review the management letter and management's response to the auditor's findings and recommendations.
- Assess the quality and adequacy of internal audit work for reliance by the external auditors.
- Review the company's material accounting policies and procedures, any changes thereto, significant financial reporting issues and judgments which they contain.
- Monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management policies.
- Consider and approve the remit of the internal audit function and ensure it has adequate qualified resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions.
- Review and approve the audit plan for internal audit.
- Review and monitor management's responsiveness to the findings and recommendations of the external and internal auditors and follow up of implementation of auditor's recommendations in true spirit.
- Review all circulars coming from CMA or any other Government organization relevant to the responsibility of the Audit function and Audit Committee.
- Follow up the corrective actions of regulatory inspection findings.
- Review of all material litigation and court cases and assess their impact on the financial statement.

- Review the fraud cases and the adequacy of preventive measures taken by the concerned department.
- Review the trends in the customer complaints and the corrective measures taken to address the cause of the complaint.

The audit committee convened four meetings during the year 2015.

Mr. Zaid Al-Gwaiz (Chairman)

Mr. Omar Al-Hoshan

Mr. Abdulrhman Al-Zughaibi

6.3 Remuneration & Compensation Committee

The Remuneration & Compensation Committee was appointed by the Board as per decision number (2) of the meeting dated 16/10/2011, guided by the Resolution no. 3-4-2011 dated 19-02-1432H (23-01-2011G) issued by CMA Board of Directors. The duties and responsibilities of the Remuneration & Compensation Committee included the following:

- To review and recommend to the Board of Directors the policies and structure for remuneration of executives and employees;
- To assist the management on the establishment of a formal and transparent procedure for employee retention, succession planning, career development and remuneration;
- Review and recommend to the Board specific requests from the management for implementation of a special remuneration packages including annual performance bonus or other performance linked incentives;
- Oversee the performance appraisal method
- The Committee consists of the Chairman and two members of the Board and will meet once a year.

The committee convened one meeting during the year 2015.

Mr. Saleh Eid Hamdan Al-Husseini (Chairman)

Mr. Bernd van Linder

Mr. Khalid Al-Muammar

7. BOARD OF DIRECTORS AND SENIOR EXECUTIVE COMPENSATION

(All amounts in SAR thousands)

Details	Executive Board Members	Non-Executive Board Members	Six Executive Managers in company receiving highest compensation, including CEO and Finance Manager
Salaries & Compensations	Nil	Nil	4,046
Allowances	Nil	Nil	1,976
Periodical & Annual Remunerations	Nil	366	1,485
Incentives Plans	Nil	Nil	38
Any other compensations or benefits (in kind paid monthly or annually)	Nil	Nil	41

8. EXTERNAL AUDITORS

On 13 Rabia I, 1437 (24 December, 2016), the Board of Directors have appointed KPMG Al Fozan & Partners as joint external auditors for the year ended 31 December 2015 for a remuneration of SAR 100,000 (2014: SAR 80,000).

9. PAYMENTS OF ZAKAT, INCOME TAX & OTHERS

Zakat and income tax are paid as follows:

9.1 Saudi Shareholders

Zakat attributable to Saudi shareholders for the year amounted to approximately SAR 8 million (2014: SAR 6.4 million), which will be deducted from their share of future dividends.

9.2 Non-Saudi Shareholders

Income tax payable on the current year's share of income is approximately SAR 1.58 million (2014: SAR 3.1 million), which will be deducted from their share of future dividends.

The below table reflects major payments made to governmental agencies:

Payment	2015 (SAR 000)	2014 (SAR 000)
Zakat & Income Tax	11,876	11,295
GOSI	1,519	1,479
Visas and passports	54	84
Total	13,452	12,858

10. APPLICABLE REGULATIONS

Saudi Hollandi Capital has adhered to the provision of regulations issued by the Capital Market Authority. During 2015, the company has paid SAR 760,000 in respect of penalties levied by regulatory authorities in the Kingdom as per the below table:

Authority Imposing the Penalty	Amount
Capital Market Authority	760,000
Total	760,000

11. DECLARATIONS

The Board of Directors hereby declares that:

- Proper books of account have been maintained
- The Company prepares its Financial Statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia promulgated by the Saudi Organization for Certified Public Accountants (SOCPA) and as required by the Capital Market Authority.
- Internal Audit Control was properly and efficiently implemented.
- The Company has no existing contracts in which a Director, the CEO, the Finance Manager or any associate has a material interest.
- There is no doubt as to the Company's ability to continue as a going concern.

12. CONCLUSION

The Board of Directors of Saudi Hollandi Capital extends its regards and gratitude to the government of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, and to HRH the Crown Prince, HRH Deputy Crown Prince, HE. the Minister of Finance, HE. the Minister of Commerce and Industry, HE. the Governor of the Saudi Arabian Monetary Agency and HE. The Chairman of the Capital Market Authority for their continued support to the Authorized Persons community.

The Board of Directors also extends its thanks and appreciation to the shareholder, customers and correspondents of Saudi Hollandi Capital for their continuing confidence and support.

Finally, appreciation must be given to the company's management and staff for their dedication and team work, without which this year's achievements would not have been possible.



Financial Statements & Auditors' Report

Independent Auditors' Report

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To: **The Shareholders**
Saudi Hollandi Capital
P.O. Box 1467
Riyadh 11431
Saudi Arabia

We have audited the accompanying financial statements of **Saudi Hollandi Capital** ("the Company") which comprise the balance sheet as at 31 December 2015, related statement of income, cash flow and changes in Shareholders' equity for the year then ended and the attached notes (1) through (15) which form an integral part of these financial statements.

Management 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 175 of the Regulations for Companies and the Company's Articles, of Association 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.

Auditor's responsibilities

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 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 control relevant to the Company'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 control. 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 the Company as at 31 December 2015, and the results of its operations and cash flows for the year then ended 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 Articles of Association with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
Registration No. 348

Date: 6 Jumada'II 1437H
Corresponding to 15 March 2016

BALANCE SHEET

As at 31 December 2015

(Saudi Riyals in '000)

	Note	2015	2014
ASSETS			
Current assets:			
Cash and bank balances	4	402,876	394,720
Due from related parties	5	18,914	36,523
Advance for investments		483	–
Prepayment and other current assets		592	730
Total current assets		422,865	431,973
Non-current assets:			
Investments	6	119,825	103,844
Total non-current assets		119,825	103,844
Total assets		542,690	535,817
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accrued expenses and other current liabilities		3,346	5,428
Provision for zakat and income tax	7	7,331	11,297
Total current liabilities		10,677	16,725
Non-current liabilities:			
Employees' end of service benefits		11,888	11,723
Total non-current liabilities		11,888	11,723
Total liabilities		22,565	28,448
SHAREHOLDERS' EQUITY			
Share capital	8	400,000	400,000
Statutory reserve	9	19,405	17,239
Fair value reserve for AFS investment		(100)	896
Retained earnings		100,820	89,234
Total shareholders' equity		520,125	507,369
Total liabilities and shareholders' equity		542,690	535,817

The accompanying notes 1 to 15 form an integral part of these financial statements.

STATEMENT OF INCOME

As at 31 December 2015

(Saudi Riyals in '000)

	Note	2015	2014
REVENUE			
Brokerage fees income, net		26,615	40,932
Asset management fee		25,048	26,455
Advisory and arranging fee		3,225	6,747
Special commission income		3,765	3,959
Fee for custody and other services		2,829	3,230
Trading gain		5,803	1,389
Realized gain on disposal of available-for-sale investments		652	48
Total revenue		67,937	82,760
OPERATING EXPENSES			
Salaries and employee-related expenses	10	31,165	29,229
Rent and premises related expenses		2,088	1,967
General and administrative expenses	11	13,022	13,449
Total operating expenses		46,275	44,645
Net income for the year		<u>21,662</u>	<u>38,115</u>

The accompanying notes 1 to 15 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

As at 31 December 2015

(Saudi Riyals in '000)

	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		21,662	38,115
Adjustments for:			
Realized gain on disposal of available-for-sale investments		(652)	(48)
Employees' end-of-service benefits		1,914	1,576
		<u>22,924</u>	<u>39,643</u>
Changes in operating assets and liabilities:			
Due from a related party		17,609	38,957
Prepayment and other current assets		138	2,160
Accrued expenses and other current liabilities		(2,082)	1,099
		<u>38,589</u>	<u>81,859</u>
Zakat and Income tax paid		(11,876)	(9,046)
Employees' end of service benefits paid		(1,749)	(1,246)
Net cash generated from operating activities		<u>24,964</u>	<u>71,567</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Placements of time deposit		--	(350,000)
Sale proceed from disposal of available for sale investments		64,646	19,869
Advance for investments		(483)	--
Purchase of investments		(80,971)	(110,009)
Net cash used in investing activities		<u>(16,808)</u>	<u>(440,140)</u>
Net increase / (decrease) in cash and cash equivalents		<u>8,156</u>	<u>(368,573)</u>
Cash and cash equivalents at the beginning of the year		44,720	413,293
Cash and cash equivalents at the end of the year	4	<u>52,876</u>	<u>44,720</u>
Supplemental non-cash information:			
Net changes in fair value of available-for-sale investments		<u>(996)</u>	<u>554</u>

The accompanying notes 1 to 15 form an integral part of these financial statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

As at 31 December 2015

(Saudi Riyals in '000)

	Share capital	Statutory reserve	Fair value reserve for AFS investment	Retained earnings	Total
Balance as at 1 January 2014	400,000	13,428	342	66,225	479,995
Net income for the year	--	--	--	38,115	38,115
Transfer to statutory reserves	--	3,811	--	(3,811)	--
Fair value reserve (available-for-sale financial assets):	--	--	--	--	--
Net change in fair value	--	--	602	--	602
Net amount reclassified to profit or loss	--	--	(48)	--	(48)
Zakat and income tax (note 7)	--	--	--	(11,295)	(11,295)
Balance as at 31 December 2014	<u>400,000</u>	<u>17,239</u>	<u>896</u>	<u>89,234</u>	<u>507,369</u>
Net income for the year	--	--	--	21,662	21,662
Transfer to statutory reserves	--	2,166	--	(2,166)	--
Fair value reserve (available-for-sale financial assets):	--	--	--	--	--
Net change in fair value	--	--	(344)	--	(344)
Net amount reclassified to profit or loss	--	--	(652)	--	(652)
Zakat and income tax (note 7)	--	--	--	(7,910)	(7,910)
Balance as at 31 December 2015	<u>400,000</u>	<u>19,405</u>	<u>(100)</u>	<u>100,820</u>	<u>520,125</u>

The accompanying notes 1 to 15 form an integral part of these financial statements

1. ORGANIZATION AND ACTIVITIES

Saudi Hollandi Capital ('the Company') is a Limited Liability Company and operating in the Kingdom of Saudi Arabia under Commercial Registration No. 1010242378 dated 30 Dhul Hijjah 1428H (corresponding to 9 January 2008). The Company has 5 branches (2014: 7 branches) operating in the Kingdom of Saudi Arabia as at 31 December 2015.

The principal activities of the Company are to provide a full range of financial services, which includes brokerage services and asset management services. The Company also provides equity lead arrangements, advisory and custodial services to its clients in pursuant to the Capital Market Authority ("CMA") resolution number 1-39-2007 dated 8 Rajab1428 corresponding to 22 July 2007.

The address of the Company's head office is as follows:

Saudi Hollandi Capital

Head Office

P.O. Box 1467

Riyadh 11431,

Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

a) Statement of compliance

The accompanying financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants.

b) Basis of measurement

These financial statements have been prepared under the historical cost convention, except for available for sale investments which are stated 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. All financial information presented in SR has been rounded to the nearest thousand except where otherwise disclosed.

d) Estimates and judgments

The preparation of these 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.

The Company exercises judgment in considering impairment of available-for-sale investments. This includes determination of a significant and prolonged decline in the fair value below its cost. In making this judgment, the Company evaluates among other factors, the volatility in prices.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

a) Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents comprise cash with banks and other short-term liquid investments, if any, with original maturities of three months or less, which are available to the Company without any restrictions.

b) Available for sale investment

Available for sale investment which are not for trading purposes and where the Company does not have any significant influence or control and accordingly, these are classified as available for sale investment.

These investment are initial recognized and subsequently measured at fair value and changes therein other than impairment losses are recognized in "unrealized gain/ (loss) on available-for-sale investments" under the statement of changes in shareholders' equity. On de-recognition, any cumulative gain or loss previously recognized in equity is included in the statement of income as 'realised gain from investment securities'. Permanent diminution in value of the above mentioned investments, if any, is charged to the statement of income.

Fair value is determined by reference to the market value in the open market if available. In the absence of an open market, the cost is considered to be the fair value of these investments.

c) Held for trading investment

Investments which are purchased for trading are initially recognized at cost and are subsequently re-measured at their market values. The unrealized gains or losses on the revaluation of investments are recognized in the statement of income. Investment transactions are accounted for as of the trade date.

d) Impairment 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. For asset carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of income;

For equity investments held as available-for-sale, a significant and prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through statement of income as long as the asset continues to be recognized i.e. any increase in fair value after impairment has been recorded can only be recognized in equity. On de-recognition, any cumulative gain or loss previously recognized in equity is included in the statement of income for the year.

e) Provisions

A provision is recognized if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

f) Zakat and income tax

Zakat and income tax are provided for in the financial statements in accordance with Saudi Department of Zakat and Income Tax ("DZIT") regulations. Zakat and income tax are charged to the statements of changes in shareholders' equity.

g) Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services are terminated at the balance sheet date.

h) Revenue recognition

The revenue for the various services rendered are recognised as follows:

- Revenue from equity brokerage is recognized at the time when the deal is executed on behalf of customer and is presented net of discounts.
- Fee received on asset management and other similar services that are provided over an extended period of time are recognized over the period when the service is being provided.
- Management advisory service fees are recognized based on the applicable service contracts on a time-proportionate basis.

- Special commission on current account and placements are recognized on accrual basis that takes into account effective yield.

i) Assets held in trust or in a fiduciary capacity

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and accordingly are not included in the financial statements; these are treated as off-balance sheet items.

j) 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.

k) Offsetting

Financial assets and liabilities are offset and reported net in the balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. CASH AND BANK BALANCES

	2015	2014
Cash in hand	1	–
Time deposits with original maturity of less than three months	52,875	44,720
Cash and cash equivalents	52,876	44,720
Time deposits with original maturity of more than three months	350,000	350,000
	<u>402,876</u>	<u>394,720</u>

The above time deposits are placed with the Saudi Hollandi Bank (shareholder) and carries commission rate ranging between 0.70% per annum to 1.30% per annum (31 December 2014: 0.85% per annum to 0.95% per annum). For the time deposits with maturity of less than three months is maturing on 11 January 2016 (31 December 2014: 14 January 2015) and more than three months is maturing on 11 January 2016 (31 December 2014: 15 January 2015).

5. RELATED PARTY TRANSACTIONS AND BALANCE

Saudi Hollandi Bank ('the Bank') and its affiliated companies are considered as related parties of the Company. In the ordinary course of business, the Company transacts with related parties on mutually agreed terms approved by the Company's Board of Directors.

The Company entered into following transactions with the Bank during the year.

	2015	2014
Advisory and arranging fee	<u>1,055</u>	<u>455</u>
Fee for custody and other services	<u>2,829</u>	<u>3,230</u>
Special commission income	<u>3,765</u>	<u>3,959</u>
Operating expenses charged under Service Level Agreement (Note 5.1)	<u>(7,046)</u>	<u>(8,613)</u>
Employees' end of service benefits transferred from / (to) the Bank	--	<u>658</u>

The following balance results from the abovementioned transactions:

	2015	2014
Due from related parties	<u>18,914</u>	<u>36,523</u>

5.1 The Bank provides certain services to the Company as per Service Level Agreement (the "Agreement") signed between the Company and the Bank. These services include support for IT, finance, human resource, legal and other administrative functions. The Bank collects and makes payments for and on behalf of the Company and maintains bank accounts for Company's brokerage customers.

5.2 Cash and bank balances as disclosed in note 4 of these financial statements are maintained with the Bank, who acts as banker of the Company.

5.3 Available for sale investment as disclosed in note 6 represent the units of mutual funds which are managed by the Company as a Fund Manager.

6. INVESTMENTS

Investments as at December 31 classified as available for sale are as under:

	Market value		Cost	
	2015	2014	2015	2014
Available for sale investments				
Mutual Funds				
Al-Yusr Saudi Riyal Murabaha Fund	<u>38,802</u>	48,337	<u>38,395</u>	47,710
Saudi Riyal Money Market Fund	<u>26,333</u>	36,007	<u>26,025</u>	35,930
Al Yusr Morabaha & Sukuk Fund	<u>45,142</u>	17,681	<u>44,693</u>	17,578
Al Yusr Saudi Hollandi Fund for Initial IPO	<u>9,548</u>	1,819	<u>10,812</u>	1,730
	<u>119,825</u>	<u>103,844</u>	<u>119,925</u>	<u>102,948</u>

7. PROVISION FOR ZAKAT AND INCOME TAX

Zakat and income tax charge for the year ended 31 December comprises the following:

	2015	2014
Zakat (7.1)	<u>6,462</u>	8,002
Income tax (7.2)	<u>1,448</u>	3,293
Total	<u>7,910</u>	<u>11,295</u>

7.1 The main elements of the Zakat base as at 31 December are as follows:

	2015	2014
Shareholders' equity	<u>240,000</u>	240,000
Adjusted net income	<u>11,861</u>	24,696
Provisions and reserves	<u>70,570</u>	55,398
Zakat Base	<u>322,431</u>	<u>320,094</u>
Zakat charge for the year at 2.5%	<u>8,061</u>	<u>8,002</u>

7.2 Income tax charge for the year is as follows:

	2015	2014
Non-Saudi shareholders share of adjusted net income @ 40% (2014: 40%)	<u>7,907</u>	16,464
Income tax for the year at 20%	<u>1,582</u>	<u>3,293</u>

7.3 The movement in zakat and income tax provision

	2015			2014
	Zakat	Income Tax	Total	Total
Balance as at 1 January	8,004	3,293	11,297	9,048
Provision during the year (Note 7.1)	<u>8,061</u>	<u>1,582</u>	<u>9,643</u>	11,295
Provision for prior years reversal	(1,599)	(134)	(1,733)	--
	<u>6,462</u>	<u>1,448</u>	<u>7,910</u>	11,295
Payments during the year for current year	--	(2,311)	(2,311)	--
Payments during the year for prior years	(6,405)	(3,160)	(9,565)	(9,046)
Balance as at 31 December	<u>8,061</u>	<u>(730)</u>	<u>7,331</u>	<u>11,297</u>

7.4 Status of assessment

The Company has filed its Zakat and Income tax returns to Department of Zakat and Income Tax (DZIT) for the year ended 31 December 2014. The Company has received assessment for the year ended 31 December 2012 and 2013 raising additional zakat of SR 14,283 and SR 78,407 against tax, which was paid during the year.

The Company's Zakat and tax return for the year ended 31 December 2015 is due to be filed on or before 30 April 2016.

8. SHARE CAPITAL

At 31 December 2015, the share capital of the Company was SR 400 million divided into 400,000 shares of SR 1,000 each, which are fully paid and owned by the Bank.

9. STATUTORY RESERVE

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income each year to a statutory reserve until such a reserve equals to 50% of its share capital. This reserve is not available for distribution to the shareholders.

10. SALARIES AND EMPLOYEE RELATED EXPENSES

	2015	2014
Salaries	22,647	21,440
Employees' bonus	1,500	2,611
Terminal benefits-GOSI	1,519	1,479
End of service benefits	1,914	1,576
Other staff cost	3,585	2,123
	<u>31,165</u>	<u>29,229</u>

11. GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Cost under service level agreement (Note 11.1)	7,046	8,613
Communication expenses	2,213	2,616
Professional expenses	1,140	594
Stationery and printing	211	398
Travel	211	116
Other general expenses	2,201	1,112
	<u>13,022</u>	<u>13,449</u>

11.1 It is charge under the Service Level Agreement with the Bank and as disclosed in note 5.1.

12. ASSETS HELD IN FIDUCIARY CAPACITY

These represent:

- Mutual funds' assets managed by the Company amounting to SAR 2.05 billion as at 31 December 2015 (31 December 2014: SAR 2.12 billion); and
- Clients' cash accounts with the Bank amounting to SAR 1.42 billion as at 31 December 2015 (31 December 2014: SAR 1.36 billion).

Consistent with the Company's accounting policy, as these assets are held by the Company in fiduciary capacity, such balances are not included in the Company's financial statements.

13. REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The Capital Market Authority (the "CMA") has issued Prudential Rules (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	2015	2014
Capital Base:		
Tier I Capital	520,125	506,473
Tier II Capital	--	896
Total Capital Base	520,125	507,369
Minimum Capital Requirement:		
Market Risk	--	--
Credit Risk	38,842	36,146
Operational Risk	11,569	11,161
Total Minimum Capital Required	50,411	47,307
Capital Adequacy Ratio:		
Surplus in Capital	469,714	460,062
Total Capital Ratio (times)	10.32	10.73

a) Capital Base of the Company comprise of

- Tier-1 capital consists of paid-up share capital, retained earnings, reserves excluding revaluation reserves, with certain deductions as per the Rules.

- Tier-2 capital consists of revaluation reserves with certain deductions as per the Rules.
- b) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in the Rules.
- 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.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet include balances with bank, available-for-sale investments and certain other assets and other liabilities.

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions which may cause certain sources of funding to dry up immediately.

The Company's current assets are significantly more than its current liabilities at year end resulting from the shareholders' support for administrative and other expenses. Thus, Company does not have any major current liabilities requiring extensive liquidity.

Credit risk

Credit risk is the risk that one party may fail to discharge an obligation and will cause the other party to incur a financial loss. Financial assets, which potentially are subject to concentration of credit risk, principally consist of bank balances, available for sale investment and balances due from a related party. The Company's bank balances are held with the Bank, which has sound financial standing. The investment is in the units of mutual fund being managed by the Company and there are no indications of impairment in value at year-end.

Special commission rate risk

Special commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of the financial instruments.

The Company is exposed to special commission rate risk with respect to the time deposit maintained with the Bank and investment in units of mutual fund where the underlying investments are mainly in money market placements. The Company does not have any commission bearing liabilities at year end. To guard against the risk, the Company monitors the changes in commission rates on a regular basis.

Fair value

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

The management believes that the fair values of on-balance sheet financial instruments are not significantly different from their carrying values.

15. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 6 Jumada II 1437H. (correspondence 15 March 2016).

