

**SAUDI ECONOMIC AND DEVELOPMENT COMPANY
FOR FINANCIAL SECURITIES (SEDCO CAPITAL)**
(Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
December 31, 2015
with
INDEPENDENT AUDITORS' REPORT



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License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

The Shareholders
Saudi Economic and Development Company for Financial Securities
Jeddah, Kingdom of Saudi Arabia

We have audited the accompanying financial statements of Saudi Economic and Development Company for Financial Securities ("the Company") which comprise the balance sheet as at December 31, 2015 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and the attached notes 1 through 25 which form an integral part of these 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 the Company's By-laws 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 entity'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.



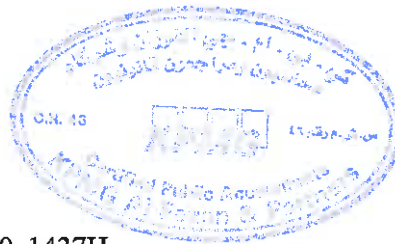
Opinion

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

- 1) present fairly, in all material respects, the financial position of the Company as at December 31, 2015, and the results of its operations and its 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 By-laws with respect to the preparation and presentation of financial statements.

For KPMG Al Fozan & Partners

Ebrahim Oboud Baeshen
License No. 382



Jeddah, February 29, 2016
Corresponding to Jumada Al Awal 20, 1437H

**SAUDI ECONOMIC AND DEVELOPMENT COMPANY FOR FINANCIAL SECURITIES
(SEDCO CAPITAL)
(Saudi Closed Joint Stock Company)**

BALANCE SHEET

As of December 31, 2015

(Expressed in Saudi Riyals)

	<i>Notes</i>	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	4	3,408,298	91,695,933
Murabaha investment	5	171,000,000	426,937
Accounts receivable and accrued income	6	32,617,740	16,490,836
Prepayments and other current assets	7	6,113,117	7,660,546
Assets held for sale	8	<u>6,587,366</u>	<u>38,129,834</u>
Total current assets		<u>219,726,521</u>	<u>154,404,086</u>
Non-current assets:			
Financial investments	9	78,272,238	87,869,698
Property and equipment	10	2,858,380	3,535,495
Intangible assets	11	<u>565,320</u>	<u>913,024</u>
Total non-current assets		<u>81,695,938</u>	<u>92,318,217</u>
TOTAL ASSETS		<u>301,422,459</u>	<u>246,722,303</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities			
Accrued expenses and other current liabilities	12	36,220,242	17,893,507
Accrued Zakat	17	<u>6,693,489</u>	<u>2,732,156</u>
Total current liabilities		<u>42,913,731</u>	<u>20,625,663</u>
Non-current liability:			
Employees' end of service benefits		<u>11,032,641</u>	<u>8,876,121</u>
Total liabilities		<u>53,946,372</u>	<u>29,501,784</u>
Shareholders' equity:			
Share capital	13	200,000,000	200,000,000
Unrealized loss on available for sale investments		(357,205)	(262,455)
Statutory reserve	14	4,783,329	1,748,297
Retained earnings		<u>43,049,963</u>	<u>15,734,677</u>
Total shareholders' equity		<u>247,476,087</u>	<u>217,220,519</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>301,422,459</u>	<u>246,722,303</u>

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 25 form an integral part of these financial statements

**SAUDI ECONOMIC AND DEVELOPMENT COMPANY FOR FINANCIAL SECURITIES
(SEDCO CAPITAL)**
(Saudi Closed Joint Stock Company)

STATEMENT OF INCOME
Year ended December 31, 2015
(Expressed in Saudi Riyals)

	<i>Notes</i>	<u>2015</u>	<u>2014</u>
Revenue:			
Advisory services		62,176,314	68,021,619
Management services		49,045,358	16,016,278
Dealing as principal		8,855,065	5,042,621
Total revenue		<u>120,076,737</u>	<u>89,080,518</u>
Operating expenses:			
Direct expenses	15	(55,777,800)	(45,238,899)
General and administrative expenses	16	(25,781,899)	(20,762,012)
Total operating expenses		<u>(81,559,699)</u>	<u>(66,000,911)</u>
Income from operations		<u>38,517,038</u>	23,079,607
Other income/ (loss) net		48,302	(12,000)
Foreign exchange loss		(3,273,240)	(2,712,463)
Net income before zakat		<u>35,292,100</u>	20,355,144
Zakat	17	(4,941,782)	(2,872,170)
Net income for the year		<u>30,350,318</u>	<u>17,482,974</u>
Earnings per share from net income	22	<u>1.52</u>	<u>0.87</u>
Earnings per share from continuing operations	22	<u>1.66</u>	<u>0.99</u>
Earnings per share from other operations	22	<u>(0.16)</u>	<u>(0.14)</u>

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SAUDI ECONOMIC AND DEVELOPMENT COMPANY FOR FINANCIAL SECURITIES
(SEDCO CAPITAL)
(Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS
Year ended December 31, 2015
(Expressed in Saudi Riyals)

	<i>Notes</i>	<u>2015</u>	<u>2014</u>
Cash flow from operating activities:			
Net income before zakat		35,292,100	20,355,144
<i>Adjustments to reconcile net income to net cash from operating activities:</i>			
Depreciation		1,068,232	933,814
Amortization		410,092	393,286
Employees' end of service benefits		2,156,673	1,982,298
Loss on disposal of property and equipment		2,403	22,635
Foreign exchange loss		3,272,236	2,663,686
<i>Changes in operating assets and liabilities:</i>			
Accounts receivable		(16,126,904)	(8,678,101)
Prepayments and other current receivables		2,158,919	(4,637,275)
Accrued expenses and other current liabilities		18,326,735	3,057,051
Cash flow from operations		46,560,486	16,092,538
Employees' end of service benefits paid and other adjustments		(153)	(3,293,644)
Zakat paid		(980,449)	(2,140,014)
Net cash from operating activities		45,579,884	10,658,880
Cash flow from investing activities:			
Proceeds on maturity of murabaha deposits		426,937	--
Investment in murabaha deposits		(171,000,000)	(468,352)
Net movement in available for sale financial investments		5,618,984	(70,532,705)
Investment in real estate		31,542,468	(38,129,834)
Purchase of property and equipment and intangible assets		(455,908)	(963,169)
Proceeds from disposal of property and equipment and reimbursements received		--	58,307
Net cash (used in) investing activities		(133,867,519)	(110,035,753)
Cash flow from financing activities:			
Additional capital injection	13	--	101,793,821
Net (decrease) / increase in cash and cash equivalents		(88,287,635)	2,416,948
Cash and cash equivalents at the beginning of the year		91,695,933	89,278,985
Cash and cash equivalents at the end of the year	4	3,408,298	91,695,933

Chairman

Chief Executive Officer

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**SAUDI ECONOMIC AND DEVELOPMENT COMPANY FOR FINANCIAL SECURITIES
(SEDCO CAPITAL)**

(Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended December 31, 2015

(Expressed in Saudi Riyals)

	<u>Share capital</u>	<u>Unrealized loss on available for sale investments</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at January 1, 2014	50,000,000	--	4,820,618	43,385,561	98,206,179
Additional capital injection (note 13)	150,000,000	--	--	--	150,000,000
Transfer to share capital (note 13)	--	--	(4,820,618)	(43,385,561)	(48,206,179)
Net movement in unrealized losses for the year	--	(262,455)	--	--	(262,455)
Net income for the year	--	--	--	17,482,974	17,482,974
Transfer to statutory reserve	--	--	1,748,297	(1,748,297)	--
Balance as at December 31, 2014	200,000,000	(262,455)	1,748,297	15,734,677	217,220,519
Additional capital injection (note 13)	--	--	--	--	--
Transfer to share capital (note 13)	--	--	--	--	--
Net movement in unrealized losses for the year	--	(94,750)	--	--	(94,750)
Net income for the year	--	--	--	30,350,318	30,350,318
Transfer to statutory reserve	--	--	3,035,032	(3,035,032)	--
December 31, 2015	<u>200,000,000</u>	<u>(357,205)</u>	<u>4,783,329</u>	<u>43,049,963</u>	<u>247,476,087</u>

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes from 1 to 25 form an integral part of these financial statements

**SAUDI ECONOMIC AND DEVELOPMENT COMPANY FOR FINANCIAL SECURITIES
(SEDCO CAPITAL)**

(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

(Expressed in Saudi Riyals)

1. ORGANIZATION AND ACTIVITIES

Saudi Economic and Development Company for Financial Securities (Sedco Capital); (“the Company”) is a Saudi closed joint stock company registered in Jeddah under Commercial Registration number 4030194994 on 1 Thul-Hujja 1430 (November 18, 2009).

The Company obtained the approval of the Minister of Commerce and Industry via Decree number 328/K, dated 1 Dhul-Qa’adah 1430 (October 20, 2009) to establish the Company.

The Company is an Authorised Person as defined in the authorised persons regulations issued by the Capital Market Authority. The principal activities of the Company are managing, arranging, advising, dealing and custody services with respect to the financial securities business as per license issued by the Capital Market Authority (CMA) number 9135-36 dated 23 Rabi’II 1430 (April 19, 2009). The Company obtained the CMA approval to commence conducting its approved activities starting March 29, 2010.

The Company’s principal place of business is Jeddah.

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying 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

The financial statements are prepared under the historical cost basis, using the accrual basis of accounting and the going concern concept, except for available for sale investments which are carried at fair value (note 2(d)(i)).

(c) Functional and presentation currency

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

(d) Critical accounting judgements and estimates

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. 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 any future period affected by the revision.

**SAUDI ECONOMIC AND DEVELOPMENT COMPANY FOR FINANCIAL SECURITIES
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NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

(Expressed in Saudi Riyals)

2. BASIS OF PREPARATION (continued)

(d) Critical accounting judgments and estimates (continued)

Significant areas where management has exercised judgments, applied estimation or used assumptions are as follows:

(i) Valuation of unquoted available for sale investments

Available for sale investments are carried at fair value. However, in the absence of a reliable fair value measurement, unquoted available for sale investments are carried at cost, less impairment losses, if any.

(ii) Impairment in available for sale investments

The Company exercises judgement to calculate the impairment loss on available for sale investments. This includes the assessment of objective evidence which causes another than temporary decline in the value of investments. In case of equity instruments any significant or prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for the impairment. The determination of what is 'significant' and 'prolonged' requires management judgment.

(iii) Impairment in held to maturity investments

With respect to held to maturity investments, the Company recognizes an impairment loss when there is an objective evidence of deterioration in the financial health or credit rating of the investee, industry and sector performance or changes in technology that adversely affect the counterparty.

(iv) Impairment in non-financial assets

The Company assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that a non-financial asset ("asset") may be impaired. If such indications exist, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell, and its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or groups. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted future cash flow calculations. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

(Expressed in Saudi Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks and other short term highly liquid investments with original maturities of three months or less, which are available to the company without any restrictions.

(b) Accounts receivable

Accounts receivable are carried at original invoice amounts less provision made for doubtful accounts, if any. A provision for doubtful accounts is established when there is a significant doubt that the Company will not be able to collect all amounts due according to the original terms of agreement.

(c) Investments

Available for sale investments (AFS)

Available for sale investments are non-derivative investments that are designated as AFS or not classified as another category of financial assets, and are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in special commission rates, exchange rates or equity prices.

Investments which are classified as available for sale are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Any unrealised gains or losses arising from changes in fair value are recognized in equity until the investments are derecognized or impaired whereupon any cumulative gains or losses previously recognized are reclassified to statement of income for the period.

Held to maturity investments (HTM)

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in their value. Amortised cost is calculated by taking into account any discount or premium on acquisition using the effective yield method. Any gain or loss on such investments is recognized in the statement of income when the investment is derecognized or impaired. Accrued profit on held to maturity investments is classified under prepayments and other current assets.

**SAUDI ECONOMIC AND DEVELOPMENT COMPANY FOR FINANCIAL SECURITIES
(SEDCO CAPITAL)**

(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

(Expressed in Saudi Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments (continued)

Investment in real estates

Land and other real estate properties that are held directly to earn rentals (property held for income generating) and for capital appreciation (property held for capital appreciation) are classified as investment property and are initially recognized at cost.

The Company is following cost model for subsequent measurement of investment property whereby land and real estate investments are subsequently carried at cost less depreciation less accumulated impairment losses. Depreciation is provided on investments in real estates, excluding land, on a straight-line basis at 3% per annum.

Impairment loss is recognized and assessed as per requirements mentioned in 2(d)(iv) above.

Gains or losses arising from the disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income.

Projects in progress represent all capitalized costs directly or indirectly attributable to the acquisition or construction projects and are subsequently classified as land and real estate upon completion of the project. They are carried at cost less impairment losses, if any.

Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Company directly or indirectly holds between 20% and 50% of the voting power of another entity.

The Company's investments in its associates are accounted for using equity method of accounting from the date that significant influence commences until the date that such influence ceases. Under the equity method, the investment in the associate is carried in the balance sheet at cost (including goodwill paid on acquisition, net of any impairment losses), plus post-acquisition changes in the Company's share of net assets of the investee company. Where there has been a change recognised directly in the equity of the associate, the Company recognises its share of such changes in its consolidated statement of changes in shareholders' equity.

When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

**SAUDI ECONOMIC AND DEVELOPMENT COMPANY FOR FINANCIAL SECURITIES
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NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

(Expressed in Saudi Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments (continued)

Investments in unconsolidated subsidiaries

Subsidiary is an entity over which the Company has power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying an ownership interest of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is assumed or transferred to the Company and cease to be consolidated from the date on which the control is transferred from the Company, except for immaterial subsidiaries, which are carried at cost less impairment losses, if any, and consolidated in the financial statements of the ultimate parent (Saudi Economic and Development Holding Company). Subsidiaries over which the Company exercises temporary control are not consolidated in the financial statements and are carried at cost less impairment, if any.

(d) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and impairment losses, if any. Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of an individual item of property and equipment. Leasehold improvements are amortized over the shorter of the estimated useful life or the lease period. The estimated useful lives of property and equipment are as follows:

Leasehold improvements	10%
Furniture, fixtures and equipments	15%
Vehicle	20%

Expenditures for maintenance and repairs that do not materially extend the asset's life are included in expenses.

(e) Intangible assets

Intangible assets are non-monetary assets, lacking physical existence but which are independently identifiable and capable of supplying future economic benefits to the Company. They are measured at the purchase price and all other directly attributable costs at initial recognition and subsequently stated at cost less accumulated amortization and impairment losses, if any.

Amortization is recognized in the statement of income on a straight line basis over the estimated period of economic benefits associated with intangible assets, from the date that they are available for use. Impairment losses, if any, are recognised in the statement of income. The estimated period of benefit associated with intangible assets at the balance sheet date is 4 years.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

(Expressed in Saudi Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

(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 corresponding liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

(h) Zakat

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The Zakat charge is computed at the higher of income for Zakat purposes for the year or Zakat base. Any difference in the previously recorded estimate is recognised when the final assessment is approved by the DZIT.

(i) Derivative Financial Instruments and Hedging

Changes in the fair value of derivative financial instruments, (that are not designated under hedging relationships) are recognized in the statement of income as they arise and the resulting positive and negative fair values are reported under current assets and liabilities, respectively, in the balance sheet.

(j) Revenue

Revenue from management and advisory services

Revenue from management and advisory services is recognized when the related services are rendered to customers.

Income from Murabaha and Sukuk

Income from Murabaha deposits and investments in Sukuks is recognized on an accrual basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

(Expressed in Saudi Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Expenses

All expenses are classified as general and administrative expenses unless they are incurred for, and directly attributable to, the core revenue generating activities of the Company, in which case they are classified as direct expenses. Allocations of common expenses between direct expenses and general and administrative expenses, where required, are made on a consistent basis, appropriate to the nature of the item of expense and circumstances of the Company.

(l) 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 realize the asset and settle the liability simultaneously.

(m) Foreign currency translation

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated to the functional currency of the Company at the foreign exchange rate prevailing at that date. Exchange differences arising on conversion are recognized in the statement of income currently.

Investment in foreign operations are translated into the functional currency of the Company at the exchange rate prevailing at the balance sheet date. Exchange differences arising on translation are recognized in separate component of equity (exchange translation reserve).

(n) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of an asset, the asset is classified as asset held for sale when the criteria described above are met. Such assets are written down to their net realizable value at the date of transfer.

**SAUDI ECONOMIC AND DEVELOPMENT COMPANY FOR FINANCIAL SECURITIES
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(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

(Expressed in Saudi Riyals)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2015 comprises of following:

	<u>2015</u>	<u>2014</u>
Cash in hand	15,500	15,500
Cash at bank on current accounts	3,392,798	3,426,498
Murabaha deposits	--	88,253,935
	<u>3,408,298</u>	<u>91,695,933</u>

5. MURABAHA INVESTMENTS

This represents murabaha deposits with a local banks, carrying profit at rates ranging from 1.20% to 2.45% (2014: 0.02%) per annum with meturties uptil April 4, 2016 (2014: May 21, 2015)

6. ACCOUNTS RECEIVABLE AND ACCRUED INCOME

	<u>2015</u>	<u>2014</u>
Related parties (note 18)	30,367,664	11,878,948
Third parties	2,250,076	4,611,888
	<u>32,617,740</u>	<u>16,490,836</u>

7. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>2015</u>	<u>2014</u>
Loan to employees	1,917,765	1,516,494
Prepaid expenses, advances and other receivables	3,583,862	2,889,052
Advance against purchase of financial investment	--	3,255,000
Positive fair value derivative (note 7.1)	611,490	--
	<u>6,113,117</u>	<u>7,660,546</u>

7.1 This represents unrealised positive marked to market value of a structured option held to mitigate the currency risk exposure with respect to Company's GBP based investment.

**SAUDI ECONOMIC AND DEVELOPMENT COMPANY FOR FINANCIAL SECURITIES
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(Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2015

(Expressed in Saudi Riyals)

8. ASSETS HELD FOR SALE

These primarily represent investments in certain international real estate properties, acquired as joint interests through warehousing deals. Subsequent to the acquisition, consistent with its investment objective, the Company has commenced a plan to dispose these properties. Formalities in this regard are in progress and management expects to complete the sale in due course.

9. FINANCIAL INVESTMENTS

		<u>2015</u>	<u>2014</u>
Available for sale public equity investments	9.1	4,289,199	7,670,226
Available for sale private equity investments	9.2	60,983,039	65,199,472
Held to maturity investments	9.3	13,000,000	15,000,000
		<u>78,272,238</u>	<u>87,869,698</u>

9.1 As at December 31, available for sale public equity investments comprise of:

		<u>2015</u>	<u>2014</u>
Public equities			
- local		394,378	333,896
- foreign		--	2,164,636
Public investment funds - foreign		<u>3,894,821</u>	<u>5,171,694</u>
		<u>4,289,199</u>	<u>7,670,226</u>

9.2 As at December 31, available for sale private equity investments comprise of:

		<u>2015</u>	<u>2014</u>
Private equities			
- local		24,642,500	4,642,500
- foreign		<u>36,340,539</u>	<u>60,556,972</u>
		<u>60,983,039</u>	<u>65,199,472</u>

9.2.1 As at December 31, 2015, private equities include SR 24.65 million in respect of an investee where the Company exercises temporary control and SR 0.76 million in respect of immaterial controlled investees.

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9. FINANCIAL INVESTMENTS (continued)

9.3 These represent investment in local Sukuks, the details of which are as follows:

<u>Issuer Name</u>	<u>Fixed / Floating</u>	<u>Profit payments</u>	<u>Tenor</u>	<u>Carrying value</u>
Almarai Company	Floating	Semi-annual	5 years or 7 years	5,000,000
Banque Saudi Fransi	Floating	Quarterly	5 years or 7 years	5,000,000
The Savola Group	Floating	Semi-annual	7 years	3,000,000
				13,000,000

9.3.1 As at the reporting date, the management believes that the fair values of the Sukuks approximate their carrying values.

10. PROPERTY AND EQUIPMENT

Movement in property and equipment during the year ended December 31, 2015 is as follows:

	<u>Leasehold improvements</u>	<u>Furniture, fixtures and equipments</u>	<u>Vehicle</u>	<u>Total</u>
<u>Cost:</u>				
Balance at January 1	3,612,050	4,108,363	--	7,720,413
Additions	159,192	195,829	38,499	393,520
Disposals	--	(8,918)	--	(8,918)
Balance at December 31	3,771,242	4,295,274	38,499	8,105,015
<u>Accumulated depreciation:</u>				
Balance at January 1	1,437,671	2,747,247	--	4,184,918
Charge for the year	403,031	655,576	9,625	1,068,232
Disposals	--	(6,515)	--	(6,515)
Balance at December 31	1,840,702	3,346,308	9,625	5,246,635
<u>Net book value:</u>				
At December 31, 2015	1,930,540	898,966	28,874	2,858,380
At December 31, 2014	2,174,379	1,361,116	--	3,535,495

10.1 The allocation of depreciation expense between direct expenses and general and administrative expenses is as follows:

	<u>2015</u>	<u>2014</u>
Direct expenses (note 15)	480,704	432,279
General and administrative expenses (note 16)	587,528	501,535
	1,068,232	933,814

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11. INTANGIBLE ASSETS

These represent computer softwares, the details of which are as follows:

	<u>2015</u>	<u>2014</u>
<u>Cost:</u>		
Balance at January 1	2,605,453	2,518,893
Additions	<u>62,388</u>	<u>86,560</u>
Balance at December 31	<u>2,667,841</u>	<u>2,605,453</u>
<u>Accumulated amortization:</u>		
Balance at January 1	1,692,429	1,299,143
Charge for the year	<u>410,092</u>	<u>393,286</u>
Balance at December 31	<u>2,102,521</u>	<u>1,692,429</u>
<u>Net book value:</u>		
At December 31	<u><u>565,320</u></u>	<u><u>913,024</u></u>

11.1 The allocation of amortisation expense between direct expenses and general and administrative expenses is as follows:

	<u>2015</u>	<u>2014</u>
Direct expenses (note 15)	205,046	196,643
General and administrative expenses (note 16)	<u>205,046</u>	<u>196,643</u>
	<u><u>410,092</u></u>	<u><u>393,286</u></u>

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>2015</u>	<u>2014</u>
Employee related expenses	20,196,276	16,092,891
Professional fees	512,553	464,262
Due to related parties (note 18)	11,591,228	--
Others	<u>3,920,185</u>	<u>1,336,354</u>
	<u><u>36,220,242</u></u>	<u><u>17,893,507</u></u>

13. SHARE CAPITAL

The share capital of the Company amounting to SR 200 million (2014: SR 200 million) is divided into 20,000,000 shares (2014: 20,000,000) with nominal value of SR 10 per share. During the year ended December 31, 2014, the shareholders of the Company, vide their resolution dated January 1, 2014, resolved to increase the share capital of the Company upto the extent of the unpaid authorized capital amount of SR 150 million via cash injection of SR 101.80 million and capitalization of retained earnings and transfer from statutory reserves amounting to SR 43.38 million and SR 4.82 million respectively.

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13. SHARE CAPITAL (continued)

At the balance sheet date, the share capital is divided as follows:

	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
			(Number of shares)	
Saudi Economic and Development Holding Company	96%	96%	19,200,000	19,200,000
Rushd International Real Estate Company	1%	1%	200,000	200,000
Ehkam International Real Estate Company	1%	1%	200,000	200,000
Ta'adiah International Real Estate Company	1%	1%	200,000	200,000
Ta'aki International Real Estate Company	1%	1%	200,000	200,000
	<u>100%</u>	<u>100%</u>	<u>20,000,000</u>	<u>20,000,000</u>

14. STATUTORY RESERVE

In accordance with the Article 176 of the Saudi Arabian Companies Regulations, the Company is required to transfer 10% of its net income each year to a statutory reserve until such reserve equals 50% of its share capital. This reserve is not available for distributions to the shareholders.

15. DIRECT EXPENSES

	<u>2015</u>	<u>2014</u>
Employee related expenses	41,682,550	33,110,145
Traveling expenses	2,408,505	2,163,643
Rent expense	1,023,740	849,123
Professional fees	2,067,973	2,569,537
Marketing expense	3,338,978	2,123,956
Cross charge for shared services (note 18)	1,624,248	1,743,787
Depreciation	480,704	432,279
Amortisation	205,046	196,643
Others	2,946,056	2,049,786
	<u>55,777,800</u>	<u>45,238,899</u>

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16. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2015</u>	<u>2014</u>
Employee related expenses (note 18)	18,652,954	15,423,894
Traveling expenses	439,506	198,855
Rent expense	218,661	235,003
Key management and professional fees	2,558,711	2,349,771
Cross charge for shared services (note 18)	925,752	656,217
Depreciation	587,528	501,535
Amortisation	205,046	196,643
Others	2,193,741	1,200,094
	<u>25,781,899</u>	<u>20,762,012</u>

17. ZAKAT

(a) Charge for the year

Zakat charge for the year ended December 31 has been calculated on Zakat base, the components of which are as follows:

	<u>2015</u>	<u>2014</u>
Non-current assets	81,695,938	92,318,217
Non-current liability	11,032,641	8,876,121
Opening shareholders' equity	217,220,519	98,206,179
Net income before Zakat	35,292,100	20,355,144

Some of the amounts have been adjusted in arriving at the Zakat charge for the year.

	<u>2015</u>	<u>2014</u>
January 1	2,732,156	2,000,000
Zakat charge for the year	4,941,782	2,872,170
Payments during the year	(980,449)	(2,140,014)
December 31	<u>6,693,489</u>	<u>2,732,156</u>

(b) Zakat status

The Company has obtained the final Zakat certificates for all the years till 2012. Zakat declarations for the years 2013 and 2014 have also been submitted, which, as of the reporting date, are under the review by the DZIT.

18. RELATED PARTY TRANSACTIONS

Transactions with related parties mainly represent advisory and management services rendered to affiliates as well as cross charge for services received from the shareholder in the ordinary course of business on mutually agreed terms and approved by the management of the Company.

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18. RELATED PARTY TRANSACTIONS (continued)

During the year, the Company transacted with the following related parties:

<u>Name</u>	<u>Relationship</u>
Saudi Economic and Development Holding Company	Shareholder
Saudi Economic and Development Company for Real Estates	Unconsolidated subsidiary
Saudi Economic and Development Company for Real Estates II	Unconsolidated subsidiary
SEDCO Capital Luxembourg S.A	Unconsolidated subsidiary
Hagley Fund IC	Unconsolidated subsidiary
Blakelands Fund IC	Unconsolidated subsidiary
SEDCO Capital Real Estate Income Fund I	Fund under management
SEDCO Capital Real Estate Income Fund II	Fund under management
SEDCO Capital Global Funds	Funds under unconsolidated subsidiary's management
SEDCO Capital Cayman Limited	Affiliate
SEDCO Capital Treasury Money Market Fund	Fund under management
SEDCO Capital Saudi Equities Fund I	Fund under management
SEDCO Capital Private Equity Global Fund IV	Fund under investment management
SEDCO Capital Core Diversified Strategies Fund	Fund under investment management
SEDCO Capital GCC Equities Fund	Fund under investment management
SEDCO Capital Europe Fund I	Fund under investment management
BMF	Affiliate
Al Nahdi Medical Company	Affiliate
Elaf Hotels Company	Affiliate
Elaf for Travel and Tourism Company	Affiliate
Intimaa Real Estate Services Company	Affiliate
Al Jazirah Equipment Company (Autoworld)	Affiliate
Board of directors	Key management personnel
Executive management of the Company	Key management personnel

The significant related party transactions for the year ended December 31 and balances arising therefrom are as follows:

<u>Transactions with</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the year</u>		<u>Closing balance receivable / (payable)</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Board of directors	Remuneration / Other benefits	<u>1,344,949</u>	1,010,648	--	--
Executive management of the Company	Remuneration / Other benefits	<u>20,252,000</u>	<u>18,223,621</u>	--	--
Saudi Economic and Development Holding Company	End of service and other benefits of employee transferred	<u>48,647</u>	<u>2,016,943</u>	--	--

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18. RELATED PARTY TRANSACTIONS (continued)

Transactions with	Nature of transactions	Amount of transaction during the year		Closing balance receivable	
		2015	2014	2015	2014
Saudi Economic and Development Holding Company	Advisory and management services	<u>39,431,072</u>	<u>36,344,798</u>	<u>10,469,468</u>	5,235,352
Methak Investment Holding	Management services	<u>5,885,295</u>	<u>--</u>	<u>1,145,087</u>	--
SEDCO Capital Luxembourg S.A	Advisory services	<u>19,143,605</u>	<u>17,591,601</u>	<u>4,301,510</u>	1,595,954
	Operational expense	<u>311,250</u>	<u>372,423</u>	<u>356,077</u>	356,077
SEDCO Capital Real Estate Income Fund I	Management fee	<u>5,577,996</u>	<u>5,785,500</u>	<u>1,449,690</u>	2,390,875
	Dividend received	<u>326,250</u>	<u>337,500</u>	--	--
SEDCO Capital Real Estate Income Fund II	Management services	<u>4,654,827</u>	<u>--</u>	<u>2,839,044</u>	--
SEDCO Capital Global Funds	Expenses incurred on behalf of the Fund	<u>--</u>	<u>1,113,262</u>	--	949,555
BMF	Management fee	<u>1,800,182</u>	<u>1,659,814</u>	<u>476,102</u>	586,374
Hagely Fund IC	Management fee and other revenue	<u>2,500,915</u>	<u>--</u>	<u>2,009,216</u>	--
Blakelands Fund IC	Management fee and other revenue	<u>2,511,962</u>	<u>--</u>	<u>728,706</u>	--
Al Nahdi Medical Company	Advisory fee	<u>--</u>	<u>80,000</u>	--	80,000
SEDCO Capital Europe Fund I	Management fee	<u>4,062,500</u>	<u>--</u>	<u>4,062,500</u>	--
SEDCO Capital Cayman Limited	Costs incurred on behalf and management fee	<u>2,625,000</u>	<u>684,761</u>	<u>2,387,077</u>	684,761
SEDCO Capital Treasury Money Market Fund	Management fee	<u>151,556</u>	<u>--</u>	<u>138,391</u>	--
SEDCO Capital Saudi Equities Fund I	Management fee	<u>63,773</u>	<u>--</u>	<u>4,796</u>	--
SEDCO Capital Private Equity Global Fund IV	Management fee	<u>625,000</u>	<u>--</u>	--	--
SEDCO Capital Core Diversified Strategies Fund	Management fee	<u>2,321,159</u>	<u>984,997</u>	--	--
SEDCO Capital GCC Equities Fund	Management fee	<u>1,724,026</u>	<u>558,311</u>	--	--
Due from related parties balance				<u>30,367,664</u>	<u>11,878,948</u>

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18. RELATED PARTY TRANSACTIONS (continued)

<u>Transactions with</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the year</u>		<u>Closing balance (payable)</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Saudi Economic and Development Holding Company	Cross charge for shared services and payments made on behalf	<u>2,550,000</u>	<u>2,400,004</u>	<u>(11,389,836)</u>	--
Elaf Hotels Company	Accommodation services	<u>79,366</u>	<u>136,726</u>	--	--
Elaf for Travel and Tourism Company	Travel and tourism services	<u>2,178,137</u>	<u>1,774,839</u>	<u>(192,492)</u>	--
Intimaa Real Estate Services Company	Office Rent and other services	<u>1,661,805</u>	<u>795,378</u>	--	--
Al Jazirah Equipment Company (Autoworld)	Transportation Expenses	<u>157,323</u>	<u>120,106</u>	<u>(8,900)</u>	--
Due to related parties balance				<u>(11,591,228)</u>	<u>--</u>

19. OPERATING LEASE ARRANGEMENTS

	<u>2015</u>	<u>2014</u>
Payments under operating leases recognized as an expense during the year.	<u>1,150,262</u>	<u>993,338</u>
Obligation under operating lease due within one year from the balance sheet date	<u>1,150,262</u>	<u>993,338</u>

These represent payments made under rental agreement in respect of head office, which is renewed annually.

20. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

The Company's activities expose it to certain financial risks. Such financial risk emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

The Company currently finances its operations through equity and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk. Company's risk management policies and objectives are as follows:

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20. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (continued)

Market risk

This is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

Market risk comprises of currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Arabian Riyals, United States Dollars and Great Britain Pounds. As at the reporting date, the Company is exposed to currency risk in cash and cash equivalents, murabaha investment, accounts receivable and financial investments. The Company manages currency risk by regular monitoring of exposures and by the use of appropriate financial instruments where required.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As at the reporting date, the Company's exposure to interest rate risk is represented by murabaha and held to maturity investments which bear floating interest rate. The Company manages interest rate risk by monitoring interest rate exposures and mismatches between interest bearing financial assets and liabilities on a regular basis.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or the factors affecting similar financial instruments traded in the market. As at the reporting date, the Company is exposed to other price risk with respect to public available for sale investments whereby a 10% change in market values would have affected the shareholder's equity for the year by + / - 0.429 million.

Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. As at the balance sheet date, the Company's maximum exposure to credit risk is represented by the respective carrying values of cash at bank, murabaha investment, accounts and other receivables and held to maturity investments. Cash and bank and murabaha investment have been placed with reputable banks while held to maturity investments and accounts and other receivables pertain to counter parties having sound credit ratings.

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20. FINANCIAL INSTRUMENT AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. To guard against the risk, assets are managed with liquidity in perspective, maintaining a healthy balance of cash and cash equivalents. Moreover, the maturity profile of financial assets and liabilities is monitored on a regular basis to identify mismatches.

21. FAIR VALUES

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the accompanying financial statements are prepared under the historical cost method, differences may arise between the book values and the fair value estimates. Management believes that at the balance sheet date, the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

22. BASIC EARNINGS PER SHARE

The earnings per share from net income have been calculated by dividing the net income by the weighted average number of shares outstanding at the year end.

The earnings per share from continuing operations have been calculated by dividing the income from operations after its share of zakat by the weighted average number of shares outstanding at the year end.

The earnings per share from other operations have been calculated by dividing the net income from other operations after its share of zakat over the weighted average number of shares outstanding at the year end.

23. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to comply with the capital requirements set by the Capital Market Authority (CMA) to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

During the year ended December 31, 2013, new Prudential Rules (the "rules") were introduced by the CMA pursuant to its Resolution Number 1-40-2012 dated 17/2/1434H corresponding to 30/12/2012G. The rules state that an authorised person shall continually possess a capital base which corresponds to not less than the total of the capital requirements as prescribed under Part 3 of Prudential Rules.

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23. CAPITAL MANAGEMENT (continued)

	<u>2015</u>	<u>2014</u>
<i>Capital base:</i>		
Tier I capital	246,910,767	216,307,000
Tier II capital	--	--
Total	<u>246,910,767</u>	<u>216,307,000</u>
<i>Minimum capital requirement:</i>		
Credit Risks	98,359,543	90,228,000
Market Risks	5,524,884	9,709,000
Operational Risks	21,625,426	17,218,000
Total	<u>125,509,853</u>	<u>117,155,000</u>
Total capital ratio	1.97	1.85
Surplus in Capital	<u>121,400,914</u>	<u>99,152,000</u>

24. COMPARATIVES

Certain corresponding figures have been reclassified, wherever necessary, for the purpose of conforming to current year presentation.

25. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved and authorized for issue on February 29, 2016, corresponding to Jumada Al Awal 20, 1437H.

Chairman

Chief Executive Officer

Chief Financial Officer