Itqan Capital
(A Closed Saudi Joint Stock Company)

FINANCIAL STATEMENTS

31 DECEMBER 2017

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Ernst & Young & Co. (Public Accountants)
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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ITQAN CAPITAL (A SAUDI CLOSED JOINT COMPANY)

Opinion
We have audited the financial statements of Itqan Capital (A Saudi Closed Joint Stock Company) ("the Company"), which comprise the balance sheet as at 31 December 2017, and the statement of income, statement of cash flows and statement of changes in shareholders' equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and the regulations of 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements:
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit, in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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AUDITORS' REPORT
TO THE SHAREHOLDERS OF ITQAN CAPITAL (A SAUDI CLOSED JOINT COMPANY) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued):

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356

08 Rajab 1439H
25 March 2018

Jeddah

17/415/OO

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
EY
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

BALANCE SHEET
As at 31 December 2017

	Note	*2017* *SR*	*2016* *SR*
ASSETS			
CURRENT ASSETS			
Bank Balances	3	**1,891,404**	1,462,987
Investments in units of investment funds	4	**16,003,196**	25,745,551
Prepaid expenses and other assets	5	**9,637,044**	9,562,086
TOTAL CURRENT ASSETS		**27,531,644**	36,770,624
NON-CURRENT ASSETS			
Investments in real estate funds units	6	**61,557,359**	67,101,963
Investments in real estate	7	**3,030,202**	5,696,072
Investments in sukuk available for sale	8	**2,325,398**	3,090,157
Investment in unconsolidated subsidiaries	9	**30,000**	297,000
Fixed assets	10	**10,488,805**	8,153,357
TOTAL NON-CURRENT ASSETS		**77,431,764**	84,338,549
TOTAL ASSETS		**104,963,408**	121,109,173
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accrued expenses and other payables	11	**3,587,926**	4,369,205
Zakat	12	**620,753**	799,522
TOTAL CURRENT LIABILITIES		**4,208,679**	5,168,727
NON-CURRENT LIABILITY			
Provision for employees' end of service benefits		**1,105,418**	1,822,518
TOTAL NON-CURRENT LIABILITY		**1,105,418**	1,822,518
TOTAL LIABILITIES		**5,314,097**	6,991,245
SHAREHOLDERS' EQUITY			
Share capital	13	**173,417,900**	173,417,900
Unrealized loss from revaluation of investments		**(1,027)**	(149,150)
Accumulated losses		**(73,767,562)**	(59,150,822)
TOTAL SHAREHOLDERS' EQUITY		**99,649,311**	114,117,928
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**104,963,408**	121,109,173

STATEMENT OF INCOME
For the year ended 31 December 2017

	Note	*2017* *SR*	*2016* *SR*
REVENUE			
Operating (loss)/revenue	15	**(1,184,998)**	5,725,399
EXPENSES			
Salaries and wages		**(9,028,536)**	(9,945,276)
Rents		**(391,857)**	(1,392,105)
Depreciation		**(331,443)**	(220,595)
General and administrative	16	**(3,389,923)**	(1,707,681)
Total expenses		**(13,141,759)**	(13,265,657)
Other income		**330,734**	-
NET LOSS FOR THE YEAR		**(13,996,023)**	(7,540,258)
Loss per share:			
From net loss for the year	17	**(0.81)**	(0.43)
Weighted average number of shares outstanding during the year		**17,341,790**	17,341,790

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	***2017 SR***	*2016 SR*
OPERATING ACTIVITIES			
Net loss for the year		**(13,996,023)**	(7,540,258)
Adjustments for:			
Depreciation	7, 10	**389,621**	278,774
Provision of employees' end of service benefits		**229,579**	518,401
Gain from investment in units of investment funds		**(237,999)**	(474,452)
Unrealized loss / (gain) from investment in real estate funds		**4,620,008**	(189,421)
		(8,994,814)	(7,406,956)
Changes in operating assets and liabilities:			
Prepaid expenses and other assets		**(74,958)**	(84,721)
Accrued expenses and other payables		**(781,279)**	85,102
Employees' end of service benefits paid		**(946,679)**	(548,016)
Zakat paid		**(799,486)**	(808,637)
Net cash used in operating activities		**(11,597,216)**	(8,763,228)
INVESTING ACTIVITIES			
Purchase of fixed assets	10	**(59,199)**	(385,965)
Investments in units of investment funds		**9,980,354**	(2,422,410)
Investment in unconsolidated subsidiaries		**267,000**	-
Investments in real estate funds units		**1,077,167**	-
Investments in real estate		**-**	(233,975)
Proceeds from sales of investments in Sukuk available for sale		**760,311**	-
Proceeds from sale of investments in available for sale securities		**-**	9,958,150
Investments in available for sale securities		**-**	(595,346)
Net cash from investing activities		**12,025,633**	6,320,454
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**428,417**	(2,442,774)
Cash and cash equivalents at the beginning of the year		**1,462,987**	3,905,761
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**1,891,404**	1,462,987
Non - cash transactions			
Realised loss on disposals of investments		**152,570**	890,334
Net change in fair value for available for sale investments		**(4,447)**	(149,150)
Transferred from investments in real estate to fixed assets	7	**2,607,692**	-

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

Itqan Capital (A Closed Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2017

	Share capital SR	*Unrealized loss from revaluation of investments SR*	*Accumulated losses SR*	*Total SR*
Balance at 31 December 2015	173,417,900	(890,334)	(50,812,676)	121,714,890
Realised loss on disposal of investments	-	890,334	-	890,334
Loss for the year	-	-	(7,540,258)	(7,540,258)
Net change in fair value	-	(149,150)	-	(149,150)
Zakat (note 12)	-	-	(797,888)	(797,888)
Balance at 31 December 2016	173,417,900	(149,150)	(59,150,822)	114,117,928
Realised loss on disposal of investments	-	152,570	-	152,570
Loss for the year	-	-	(13,996,023)	(13,996,023)
Net change in fair value	-	(4,447)	-	(4,447)
Zakat (note 12)	-	-	(620,717)	(620,717)
Balance at 31 December 2017	**173,417,900**	**(1,027)**	**(73,767,562)**	**99,649,311**

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

1 ACTIVITIES

Itqan Capital ("the Company") is a Closed Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 4030167335 dated 16 Safar 1428H (corresponding to 6 March 2007) and the Capital Market Authority (CMA) license number 37-07058 according to the decision of the authority number 9-17-2007 dated 21 Rabi Awal 1428H (corresponding to 9 April 2007). The Company was permitted to commence operation on 23 Rabi Thani 1429H (corresponding to 29 April 2008). The Company is located in Jeddah, Al-Shati District, Corniche Road, P. O. Box 8021 Postal code 21482.

The objectives of the Company are as follows:

- Establishing/managing of investment funds/portfolios.
- Arranging.
- Custody services for the administrative arrangements and procedures related to the investment funds and portfolio management.
- Acting as principal.
- Providing consultancy on securities.

All investment products provided by the Company are in accordance with the Islamic Shari'a and certified by the Company's Shari'a consultant.

The financial statements have been approved by the Board of Directors on 08 Rajab 1439H, (corresponding to 25 March 2018).

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia. The financial statements was prepared in Saudi Riyals, which is the functional currency of the Company.

The significant accounting policies adopted are as follows:

Accounting convention
The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments in units of investment funds, investments in real estate funds units and investments in sukuk available for sale.

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimations and provisions are based on the best information available with the management in regard of operations and current events, the actual results may differ from such estimations.

Investment entity
In determining the Company's status as an investment entity, the Company considered the following:

a) The Company provide investment management services to a number of investors with respect to investment in funds managed by the Company;

b) The Company generates capital and income from its investments which will, in turn, be distributed to the current and potential investors; and

c) The Company evaluates its investments' performance on a fair value basis, in accordance with the policies set out in these financial statements.

Cash and cash equivalents
Cash and cash equivalent consists of bank balances and investments in short term murabaha that are readily convertible into known amounts of cash and with original maturity of three months or less from date of purchase.

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in real estate funds units
Investments in real estate funds are stated at fair value using unit prices prevailing at the end of the year. Changes in unit price are included in the statement of income. Valuation of units in real estate funds are made by the fund managers.

Investments in sukuk available for sale
The securities represented in the sukuk are measured at the balance sheet on fair value basis. Changes in the fair value are reflected in the shareholders' equity statement and the accrued income from earned profits is recorded as accrued revenue due until its realized.

Investments in subsidiaries
The subsidiary is a Company in which Itqan Capital has a significant interest, directly or indirectly, and over which it exerts control. These investments are recorded at cost since the subsidiaries do not have any commercial activity. Therefore these have not been consolidated (note 9).

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

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease.

Expenditure for repair and maintenance are charged to statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalized.

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

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

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

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 can be measured reliably.

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat and income Tax
Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulations. The liability will be charged to retained earnings. Additional amount, if any, that may become due on finalisation of an assessment are recorded in the year in which the assessment is finalised.

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

Revenue recognition
- Income from investment banking services is recognized when the services are rendered and related invoices are issued to customers in accordance with contract terms.
- Income from asset management is recognized periodically according to predetermined due dates.
- Income from Murabaha investment is recognized on an accrual basis from disbursement date to due date.
- Dividends from investment in available for sale securities and real estate funds are recognized when the right is established.

Expenses
Due to the nature of the Company's activities expenses are classified to operating costs and general and administrative expenses.

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

Segmental reporting
A segment is a basic component of the Company that is engaged either in selling products or providing services (a business segment) or in selling products or providing services within a particular economic environment (a geographic segment) which is subject to risks and rewards that are different from those of other segments. Due to the nature of its business, the Company issuing business segment reporting.

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight line basis over the lease term.

Offsetting
Financial assets and financial 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. Income and expenses are presented on a net basis only when permitted under accounting standards generally accepted in the Kingdom of Saudi Arabia, or for gains and losses arising from a group of similar transactions.

3 BANK BALANCES

	2017 *SR*	*2016* *SR*
Current accounts	**1,891,404**	1,462,987
	1,891,404	1,462,987

4 INVESTMENTS IN UNITS OF INVESTMENT FUNDS

	2017 SR	*2016 SR*
Carrying Value:		
Balance at the beginning of the year	**25,745,551**	22,848,689
Additions during the year	**15,943,213**	12,451,372
Redemptions during the year	**(25,923,567)**	(10,028,962)
Balance at 31 December	**15,765,197**	25,271,099
Change in fair value:		
Unrealised gain during the year	**528,274**	595,490
Realised gain during the year	**(290,275)**	(121,038)
Balance at 31 December	**237,999**	474,452
Net balance at 31 December	**16,003,196**	25,745,551

The investment has been evaluated by the fund managers as on 31 December.

5 PREPAID EXPENSES AND OTHER ASSETS

	2017 SR	*2016 SR*
Amounts due from related parties (note 19)	**5,800,220**	5,645,333
Letter of guarantee deposit	**1,820,168**	1,820,168
Debtors	**1,000,000**	473,334
Employees receivables	**474,128**	40,884
Prepaid expenses	**215,054**	334,734
Accrued income	**20,907**	28,905
Other assets	**306,567**	1,218,728
	9,637,044	9,562,086

6 INVESTMENTS IN REAL ESTATE FUNDS UNITS

	2017 SR	*2016 SR*
Balance at the beginning of the year	**67,101,963**	67,065,112
Additions during the year	-	-
Disposals during the year	**(1,077,167)**	-
(Loss) / gain during the year	**(4,467,437)**	36,851
Balance at 31 December	**61,557,359**	67,101,963

7 INVESTMENTS IN REAL ESTATE

	2017 *SR*	*2016* *SR*
Cost:		
Balance at the beginning of the year	**5,801,440**	5,567,465
Additions during the year	**-**	233,975
Transferred to fixed assets (note 10)	**(2,607,692)**	-
Balance at 31 December	**3,193,748**	5,801,440
Depreciation:		
Balance at the beginning of the year	**(105,368)**	(47,189)
Depreciation during the year	**(58,178)**	(58,179)
Balance at 31 December	**(163,546)**	(105,368)
Balance at 31 December	**3,030,202**	5,696,072

8 INVESTMENTS IN SUKUK AVAILABLE FOR SALE

	2017 *SR*	*2016* *SR*
Cost:		
Balance at the beginning of the year	**3,090,157**	3,086,737
Disposed during the year	**(771,532)**	-
Change in fair value	**6,773**	3,420
Balance at 31 December	**2,325,398**	3,090,157

The sukuk are issued by Sharjah Government (2016: a Saudi Company and Sharjah Government) and are recorded at fair value.

9 INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

The investment in unconsolidated subsidiaries are as follows:

- An investment of 100% in Reif Al Nakhil Limited Company's capital. The unconsolidated subsidiary was registered on 16 Shawal 1433H (corresponding to 3 September 2013)

- An investment of 100% in Reif Al Jadida Limited Company's capital. The unconsolidated subsidiary was registered on 16 Muharam 1437H (corresponding to 29 October 2015)

- An investment of 100% in Reif Al Nomow Limited Company's capital. The unconsolidated subsidiary was registered on 1 Rabia Al Awal 1437H (corresponding to 11 January 2016)

The unconsolidated subsidiaries were registered as special purpose entities, for the purpose of registering the title deed of the properties owned by the funds, managed by Itqan Capital on their behalf.

The movement in the investment in unconsolidated subsidiaries is as follows:

	2017 ***SR***	*2016* *SR*
Cost:		
Balance at the beginning of the year	**297,000**	297,000
Additions	**3,000**	-
Capital reduction	**(270,000)**	-
Balance at 31 December	**30,000**	297,000

10 FIXED ASSETS

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

Equipment	5 years
Computers and software	3 - 6 years
Furniture and fixtures	10 years
Motor vehicles	4 years
Building	33 years

10 FIXED ASSETS (continued)

	Buildings	*Equipment*	*Computers and software*	*Furniture and fixtures*	*Motor vehicles*	*Buildings under construction*	***Total 2017***	*Total 2016*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	***SR***	*SR*
Cost:								
At the beginning of the year	-	16,699	2,056,057	185,310	197,700	7,706,749	**10,162,515**	9,776,550
Additions	-	6,899	29,806	12,020	-	10,474	**59,199**	385,965
Transferred from investments in real estate (note 7)	2,607,692	-	-	-	-	-	**2,607,692**	-
Transfers	1,234,083	-	-	-	-	(1,234,083)	-	-
At the end of the year	3,841,775	23,598	2,085,863	197,330	197,700	6,483,140	**12,829,406**	10,162,515
Depreciation:								
At the beginning of the year	-	-	1,710,072	101,386	197,700	-	**2,009,158**	1,788,563
Charge for the year	115,253	4,434	194,284	17,472	-	-	**331,443**	220,595
At the end of the year	115,253	4,434	1,904,356	118,858	197,700	-	**2,340,601**	2,009,158
Net book value								
At 31 December 2017	**3,726,522**	**19,164**	**181,507**	**78,472**	-	**6,483,140**	**10,488,805**	
At 31 December 2016	-	16,699	345,985	83,924	-	7,706,749		8,153,357

10 FIXED ASSETS (continued)

a) Depreciation charge for the year is allocated as follows:

	2017 *SR*	*2016* *SR*
Operating cost	**13,030**	11,106
General and administrative expenses	**318,413**	209,489
	331,443	220,595

11 ACCRUED EXPENSES AND OTHER PAYABLES

	2017 *SR*	*2016* *SR*
Employees' bonus and salaries	**-**	28,908
Accrued vacation	**210,615**	339,680
Other claims and other payables	**3,377,311**	4,000,617
	3,587,926	4,369,205

12 ZAKAT

Charge for the year

	2017 *SR*	*2016* *SR*
Current year provision	**620,753**	799,522
Prior year adjustment	**(36)**	(1,634)
	620,717	797,888

The zakat provision for the year ended 31 December is based on the following:

	2017 *SR*	*2016* *SR*
Shareholders' equity at 1 January	**173,417,900**	122,605,224
Opening allowances and other adjustments	**3,777,456**	4,755,348
Book value of long term assets	**(139,216,491)**	(81,211,541)
	37,978,865	46,149,031
Adjusted loss for the year	**(8,526,394)**	(8,214,631)
Zakat base	**29,452,471**	37,934,400

The differences between the financial and the zakatable results for the year ended on 31 December are mainly due to relevant adjustments in accordance with the rules and regulations of the General Authority of Zakat and Income Tax ("GAZT").

12 ZAKAT (continued)

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

	2017 *SR*	*2016* *SR*
At the beginning of the year	**799,522**	810,271
Provided during the year	**620,753**	799,522
Prior year adjustment	**(36)**	(1,634)
Paid during the year	**(799,486)**	(808,637)
At the end of the year	**620,753**	799,522

Status of assessments
The Company filed its Zakat and Tax returns for the years ended 31 December 2008 through 2016 and obtained the Zakat and Tax certificate for the said years.

The General Authority of Zakat and Income Tax ("GAZT") issued the Zakat assessment for the period ended 31 December 2008 and claimed additional Zakat differences of SR 1,855,916. The Company objected against the said assessment which was transferred to the Preliminary Objection Committee ("POC") for review and decision. The POC issued its decision which resulted in reduction of the payable Zakat to SR 1,820,168. The Company filed an appeal against the POC's decision with the Higher Appeal Committee ("HAC") and submitted a bank guarantee letter with the above mentioned amount. The HAC issued its decision, which rejected the Company's appeal. The Company filed an appeal against the said decision with the Board of Grievance ("BOG") which is still under review by the BOG till to date.

The GAZT issued the Zakat and Tax assessment for the years 2009 to 2014 and claimed Zakat, Tax, delay fine and non-filing penalty of SR 7,346,052. The Company filed an objection against the said assessment which is still under review by GAZT.

The GAZT did not issue the final assessment for 2015 and 2016 till to date.

Income Tax
Tax was not charged to the foreign shareholders for the year ended 31 December 2017 and 31 December 2016, since the Company has incurred net loss for this year.

13 SHARE CAPITAL

On 27 October 2014 (corresponding to 3 Muharam 1436H), the shareholders of the Company resolved in the Extraordinary General Assembly meeting to increase the Company's capital by capitalizing the subordinated loan amount totalling SR 100,000,000 through the entry of Albaraka Banking Group (A Bahraini Joint Stock Company) as a new shareholder in the Company's capital by the full amount of the subordinated loan. This has resulted in a change of the shareholders and their percentage of ownership after obtaining CMA's approval. All original shareholders waived their priority subscription rights in the new shares issued at the time of capitalizing the subordinated loan for the capital. The issued and paid up capital after the increase is SR 173,417,900.

13 SHARE CAPITAL (continued)

The issued and paid Capital as on 31 December 2017 and 31 December 2016 are as follows:

		2017		2016	
Shareholder name	Nationality	Ownership percentage %	Value SR	Ownership Percentage %	Value SR
Al Baraka Banking Group B.S.C.	Kingdom of Bahrain	**57.6642**	**100,000,000**	57.6526%	99,980,000
Al Baraka Islamic Bank – Bahrain	Kingdom of Bahrain	**25.4015**	**44,050,740**	25.4015	44,050,740
Aseer For Trading, Tourism, Industrial, Agricultural, Real Estate & Contracting Company	Kingdom of Saudi Arabia	**8.4672**	**14,683,580**	8.4672	14,683,580
Sheikh Saleh Abdullah Kamel	Kingdom of Saudi Arabia	**6.7737**	**11,746,860**	6.7507	11,706,860
Al Baraka Investment & Development Co.	Kingdom of Saudi Arabia	**0.4234**	**734,180**	0.4234	734,180
Dallah Albaraka Holding Co. (Saudi Arabia)	Kingdom of Saudi Arabia	**0.4234**	**734,180**	0.4234	734,180
Mr. Mohey Aldeen Saleh Abdullah Kamel	Kingdom of Saudi Arabia	**0.4234**	**734,180**	0.4234	734,180
Mr. Abdullah Mohammed Abdo Yamani	Kingdom of Saudi Arabia	**0.4234**	**734,180**	0.4234	734,180
Mr. Abdul Aziz M. Yamani – Chairman	Kingdom of Saudi Arabia	-	-	0.0058	10,000
Mr. Adil S. Dahlawi – Managing Director and Chief Executive Officer	Kingdom of Saudi Arabia	-	-	0.0058	10,000
Mr. Adnan A. Yousif – Director	Kingdom of Bahrain	-	-	0.0058	10,000
Mr. Waleed Abdul Aziz Kiyal – Director	Kingdom of Saudi Arabia	-	-	0.0058	10,000
Mr. Mohammed Abdullah Nour AlDeen – Director	Kingdom of Bahrain	-	-	0.0058	10,000
Dr. Khaled Abdullah Atieq – Director	Kingdom of Bahrain	-	-	0.0058	10,000
			173,417,900		173,417,900

During the year ended 31 December 2017, the Board of Directors of the Company purposed to decrease the Company's share capital from SR 173,417,900 to SR 111,229,140, via their resolution dated on 03 June 2017 (corresponding to 08 Ramdan 1439 H). Moreover, subsequent to the balance sheet date the Company's shareholders, in their extraordinary general meeting, dated 31 January 2018 (corresponding to 14 Jumada I 1439 H) approved the reduction in the share capital. However, the other legal formalities in this regards are under progress.

14 STATUTORY RESERVE

In accordance with the Company's by-laws, the Company must set aside 10% of its net income in each year to a statutory reserve. The general assembly may discontinue such transfer when it has built up a reserve equal half of the capital. As the Company has incurred a loss for the year, no transfer was made to the statutory reserve. The reserve is not available for distribution.

15 SEGMENT INFORMATION

The Company is using the business segment for its internal reporting. The table below reflects analysis of activities expense/ income and gross loss for individual activities for the year ended 31 December.

	2017					
Description	*Principal investment SR*	*Investment banking SR*	*Business development SR*	*Investment funds/portfolios management SR*	*Custody services SR*	***Total SR***
Activities loss, net	**(3,150,921)**	**-**	**149,526**	**1,345,737**	**470,660**	**(1,184,998)**
Operating costs, net	**(599,840)**	**-**	**(1,501,081)**	**(4,453,445)**	**(196,316)**	**(6,750,682)**
Gross (loss)/income	**(3,750,761)**	**-**	**(1,351,555)**	**(3,107,708)**	**274,344**	**(7,935,680)**

	2016					
Description	*Principal investment SR*	*Investment banking SR*	*Business development SR*	*Investment funds/portfolios management SR*	*Custody services SR*	*Total SR*
Activities income, net	4,239,389	-	118,619	1,067,568	299,823	5,725,399
Operating costs, net	(525,202)	-	(1,943,519)	(3,880,808)	(479,701)	(6,829,230)
Gross income/(loss)	3,714,187	-	(1,824,900)	(2,813,240)	(179,878)	(1,103,831)

Due to the nature of the Company's business, no assets or liabilities are allocated for individual business activities.

16 GENERAL AND ADMINISTRATIVE EXPENSES

	2017 SR	*2016 SR*
Subscription fees	**188,100**	93,280
Maintenance	**155,134**	193,314
Consultancy and professional fees	**1,539,597**	559,016
Publicity, advertising and public relations	**178,066**	53,122
Others	**1,329,026**	808,949
	3,389,923	1,707,681

17 LOSS PER SHARE

The basic loss per share from net loss for the year ended 31 December 2017, has been calculated by dividing the net loss for the year by the average number of outstanding shares of 17,341,790 (2016: number of outstanding shares 17,341,790).

The basic loss per share from the net loss is the same as the basic loss per share from main operations as there were no revenue or expenses from operations other than the main operation.

18 ASSETS MANAGEMENT

The Company establishes and manages investment funds and portfolios and receives a certain percentage that represents the management fees for such management and capital investment services. As at 31 December 2017, the assets under management in favour of others amounted to SR 215,627,257 (2016: SR 192,062,846).

19 RELATED PARTY TRANSACTIONS AND BALANCES

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

Amounts due from related parties	*Nature of transaction*	*Amount of transaction* ***2017***	*2016*
Al Tawfeek Development House Co.	Rent – Expense	**11,571**	58,603
Dallah for Real Estate Development and Tourism	Rent – Expense	**-**	14,875
Investment funds	Various	**505,421**	405,331
	Management fees	**1,495,263**	1,186,187
	Custodian fees	**271,469**	299,824
	Subscription fees	**-**	-
Board of Directors expenses	Expenses	**108,713**	119,475
Others	Various	**-**	-

Amounts due from related parties as of 31 December are comprised of the following:

	2017 ***SR***	*2016* *SR*
Real Estate Income Fund – I	**111,940**	23,889
Real Estate Income Fund – II	**4,482,454**	4,890,452
Real Estate Income Fund – III	**598,607**	640,441
Itqan Murabahat & Sukuk Fund	**607,219**	87,551
Others	**-**	3,000
	5,800,220	5,645,333

The Company's rent agreement with Al Tawfeek Development House Co. has expired at 31 March 2017 and was not renewed.

The Company's rent agreement with Dallah for Real Estate Development and Tourism has expired on 30 April 2016 and was not renewed.

Prices and terms of payment with related parties are approved by the management. Amounts due from related parties are shown in note 5.

20 RISK MANAGEMENT

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing existence and each individual within the Company is accountable for the risk exposure relating to their responsibilities. The Company is exposed to special commission rate risk, credit risk, liquidity risk currency risk and market risk.

Special commission rate risk
The Company is not subject to special commission rate risk as it special commission bearing assets carry fixed rates.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company seeks to limit its credit risk by monitoring the outstanding receivables and setting credit limits for transactions with other parties and continuously evaluate their credit worthiness, in addition to monitoring the credit limits.

The assets subject to credit risks are cash with banks, investments, other receivables. The Company keeps the cash funds and investments with banks and parties with good credit rating.

Liquidity risk
The Company manages its liquidity risk by maintaining enough balances of cash and cash equivalent and financial securities available for sale.

The table below summarizes the maturities of the Company's financial liabilities at 31 December, based on contractual payment dates.

Year ended 31 December 2017	***Less than 3 months SR***	***3 to 12 months SR***	***Total SR***
Accounts payables and accruals	**-**	**3,587,926**	**3,587,926**
Total	**-**	**3,587,926**	**3,587,926**

Year ended 31 December 2016	*Less than 3 months SR*	*3 to 12 months SR*	*Total SR*
Accounts payables and accruals	-	4,369,205	4,369,205
Total	-	4,369,205	4,369,205

Currency risk
The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyal and US Dollar during the year. As the exchange rate of Saudi Riyal is pegged to the US Dollar, the balances and transactions in US Dollar does not represent significant currency risk on the financial statements.

Market risk
A proper framework has been set for the management of the market risk of all assets including the assets that have no current market prices and / or exposed to fluctuations in prices.

21 REGULATORY CAPITAL REQUIREMENT AND CAPITAL ADEQUACY RATIO

The Company's objectives when managing capital is 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.

	2017 SR	*2016 SR*	*Change percentage %*
Capital base			
Tier-I capital	**99,649,311**	114,117,928	(13)
Tier-II capital	**-**	-	
Total	**99,649,311**	114,117,928	(13)
Minimum capital requirement			
Credit risk	**52,338,691**	57,065,989	(8)
Market risk	**46,926**	62,619	(25)
Operation risk	**3,330,295**	3,530,840	(6)
Total	**55,715,912**	60,659,448	(8)
Capital adequacy ratio	**1.79**	1.88	(5)
Surplus	**43,933,399**	53,458,480	(18)

Capital base comprise of:

Tier-I capital:
Comprise of paid up capital, accumulated losses, share premium and reserves.

Tier-II capital:
Comprise of perpetual subordinated loan and fixed term subordinated loans with not less than 5 years of original maturity.

The minimum capital requirement related to credit risk, market risk and operation risk is calculated based on specific conditions stated in pillar III of the regulations issued by the CMA.

The Company's goal of capital management is to comply with the capital requirements approved by the CMA, maintaining the Company's ability to continue its operations on a going concern basis and maintain a sound capital base.

The Company's management monitors the capital adequacy and its deployment of capital on a periodical basis. As per the regulations of the CMA, the Company shall maintain a minimum limit of regulatory capital. Whereas the ratio of the total regulatory capital over risk weighted asset is at or above the minimum required ratio.

The Company monitors the capital adequacy by using the ratios specified by the CMA. Based on such ratios, the Company measures the extent of its capital adequacy for the assets and commitments appearing in its financial statements using weighted balances to reveal its relative risk.

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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. The Company's financial assets consist of bank balances, investments in units of investment funds, investments in real estate funds units, investments in sukuk available for sale, investments in unconsolidated subsidiaries and receivables and financial liabilities consist of payables. Investments in units of investment funds, Investments in real estate funds units, investments in sukuk available for sale are carried at their fair values. The fair values of other financial instruments are not materially different from their carrying values.

23 COMPARATIVE FIGURES

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

24 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective 1 January 2018, the Company will prepare its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA"). Upon IFRS adoption, the Company will be required to comply with the requirements of IFRS 1 - First-time Adoption of International Financial Reporting Standards for the reporting periods starting 1 January 2018, where in general, a Company is required to determine its IFRS accounting policies and apply these retrospectively to determine its financial position under IFRS.