

Itqan Capital
(A Closed Saudi Joint Stock Company)

FINANCIAL STATEMENTS

31 DECEMBER 2014

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

Scope of audit

We have audited the accompanying balance sheet of Itqan Capital (A Saudi Closed Joint Stock Company) ("the Company") as at 31 December 2014, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion

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

- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356



6 Jumada Al Awal 1436 H
25 February 2015

Jeddah

Itqan Capital (A Closed Saudi Joint Stock Company)

BALANCE SHEET

As at 31 December 2014

	Note	2014 SR	2013 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	4,656,819	28,678,032
Investments in units of investment funds	4	9,112,727	81,595,210
Murabaha investments	5	15,230,659	-
Prepaid expenses and other assets	6	6,814,728	3,098,715
TOTAL CURRENT ASSETS		35,814,933	113,371,957
NON-CURRENT ASSETS			
Investment in real estate funds at fair value	7	98,890,781	34,861,827
Investment in available for sale securities	8	4,360,530	4,441,232
Investments in Sukuk	9	3,086,737	-
Investment in an unconsolidated subsidiary	10	99,000	99,000
Fixed assets, net	11	1,473,500	1,922,820
TOTAL NON-CURRENT ASSETS		107,910,548	41,324,879
TOTAL ASSETS		143,725,481	154,696,836
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accrued expenses and other payables	12	4,472,837	4,291,738
Zakat and income tax	13	825,424	233,596
TOTAL CURRENT LIABILITIES		5,298,261	4,525,334
NON-CURRENT LIABILITIES			
Subordinated loan from shareholders	14	-	100,000,000
Provision of employees end of service benefits		2,002,957	1,533,118
TOTAL NON-CURRENT LIABILITIES		2,002,957	101,533,118
TOTAL LIABILITIES		7,301,218	106,058,452
SHAREHOLDERS' EQUITY			
Share capital	15	173,417,900	73,417,900
Unrealized (loss)/gain from revaluation of investments		(146,977)	888,466
Accumulated losses		(36,846,660)	(25,667,982)
TOTAL SHAREHOLDERS' EQUITY		136,424,263	48,638,384
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		143,725,481	154,696,836

The attached notes 1 to 23 form part of these financial statements.

Itqan Capital (A Closed Saudi Joint Stock Company)

STATEMENT OF INCOME

For the year ended 31 December 2014

	<i>Note</i>	<i>2014 SR</i>	<i>2013 SR</i>
REVENUE			
Operating revenue	17	8,924,933	6,049,259
Total revenue		8,924,933	6,049,259
OPERATING COSTS			
Employees cost		(4,911,622)	(5,406,453)
Operating cost		(1,639,126)	(1,093,860)
Total operating costs	17	(6,550,748)	(6,500,313)
Gross income/(loss)		2,374,185	(451,054)
Expenses:			
General and administrative	18	(10,914,976)	(10,299,671)
Impairment provision of an investment in available for sale securities	8	(1,811,098)	-
Total expenses		(12,726,074)	(10,299,671)
NET LOSS FOR THE YEAR		(10,351,889)	(10,750,725)
Loss per share:			
From net loss for the year	19	(1.23)	(0.63)
Weighted average number of shares outstanding during the year (share)	19	8,382,886	17,052,198

The attached notes 1 to 23 form part of these financial statements.

Itqan Capital (A Closed Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 SR	2013 SR
OPERATING ACTIVITIES			
Net loss for the year		(10,351,889)	(10,750,725)
Adjustments for:			
Depreciation		602,529	1,091,681
Impairment provision of an investment in available for sale securities		1,811,098	-
Gain on sale of fixed assets		-	(12,000)
Provision of employees end of service benefits		620,923	438,526
Accrued income from murabaha investment		(230,790)	-
Unrecognized gains from investment in real estate funds		(764,925)	(1,819,823)
		<u>(8,313,054)</u>	<u>(11,052,341)</u>
Changes in operating assets and liabilities:			
Prepaid expenses and other assets		(3,716,013)	736,052
Accrued expenses and other payables		181,099	53,592
Employees end of service benefits paid		(151,084)	(188,650)
Zakat paid		(234,961)	(422,342)
Net cash used in operating activities		<u>(12,234,013)</u>	<u>(10,873,689)</u>
INVESTING ACTIVITIES			
Purchase of fixed assets		(153,209)	(170,869)
Investments in units of investment funds		72,482,483	(81,135,780)
Proceeds from sale of fixed assets		-	12,000
Investment in real estate funds		(63,264,029)	3,874,028
Investments in Sukuk		(3,086,737)	-
Proceeds from sale of investments in available for sale securities		3,685,642	-
(Purchase)/sale of investments in available for sale securities		(6,451,481)	4,844,893
Murabaha investments		(14,999,869)	-
Net cash used in investing activities		<u>(11,787,200)</u>	<u>(72,575,728)</u>
FINANCE ACTIVITY			
Subordinated loan from shareholders		-	100,000,000
Net cash from finance activity		<u>-</u>	<u>100,000,000</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>(24,021,213)</u>	<u>16,550,583</u>
Cash and cash equivalents at the beginning of the year		28,678,032	12,127,449
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u><u>4,656,819</u></u>	<u><u>28,678,032</u></u>

The attached notes 1 to 23 form part of these financial statements.

STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2014

	<i>Note</i>	2014 SR	2013 SR
Additional non-cash information			
Net change in fair value of investment in available for sale securities	8	(1,035,443)	733,208
Non-current assets held for sale transferred to current assets		-	50,586
Capital reduction by the accumulated losses	15	-	126,582,100
Capital increase by converting the subordinated loan from shareholders to equity	15	100,000,000	-

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2014

	<i>Share capital SR</i>	<i>Unrealized gain/(loss) from revaluation of investments SR</i>	<i>Accumulated losses SR</i>	<i>Total SR</i>
Balance at 31 December 2012	200,000,000	155,258	(141,243,091)	58,912,167
Capital reduction (note 15)	(126,582,100)	-	126,582,100	-
Net change in fair value	-	733,208	-	733,208
Loss for the year	-	-	(10,750,725)	(10,750,725)
Zakat (note 13)	-	-	(256,266)	(256,266)
Balance at 31 December 2013	73,417,900	888,466	(25,667,982)	48,638,384
Capital increase (note 15)	100,000,000	-	-	100,000,000
Net change in fair value	-	(1,035,443)	-	(1,035,443)
Loss for the year	-	-	(10,351,889)	(10,351,889)
Zakat (note 13)	-	-	(826,789)	(826,789)
Balance at 31 December 2014	173,417,900	(146,977)	(36,846,660)	136,424,263

The attached notes 1 to 23 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 1428 H (corresponding to 9 April 2007). The Company was permitted to commence operation on 23 Rabi Thani 1429 H (corresponding to 29 April 2008). The Company is located in Jeddah, Nahda District, King Abdulaziz 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 and underwriter.
- 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 6 Jumada Al Awal 1436H, (corresponding to 25 February 2015).

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 as it 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 securities available for sale investment, investment in real estate funds and investments in funds.

Use of estimate

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 period. 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.

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.

Murabaha investments

Investments in Murabaha with a maturity of more than three months from the purchase date are stated at cost plus the profit. Profit is recognised on an accrual basis.

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 period. Changes in unit price are included in the statement of income. Valuation of units in real estate funds are made by the fund managers.

During the year the company changed the accounting policy for investment in real estate funds units from equity method to the fair value through profit and loss where no material impact resulted from such change on the prior years' financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in sukuk

The securities represented in the sukuk available for sale are measured in 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 available for sale securities

Quoted securities

These represent investments which are neither bought with the intention of being held to maturity nor for trading purposes. Such investments are stated at fair value. Changes in fair value are credited or charged to the statement of changes in shareholders' equity. Where there is objective evidence that investments may be impaired, the estimated recoverable amount of those investments is determined and any impairment loss for the difference between the recoverable amount and the carrying amount is recognised in the statement of income.

Investment in a subsidiary

The subsidiary is a company in which Itqan Capital has, directly or indirectly, a long-term investment comprising an interest of more than 50% in the voting rights and/or over which it exerts control. This investment is recorded at cost as the subsidiary company does not have any commercial activity. Therefore it was not been consolidated (note 11).

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 income. Betterments 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 income statement. 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 income statement;
- (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.

Loans

Loans and borrowings are recognised for the value of proceeds received by the Company.

2 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 declared.

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 income statement.

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 income statement on a straight line basis over the lease term.

3 CASH AND CASH EQUIVALENTS

	2014 SR	2013 SR
Murabaha placements (see note below)	891,555	26,435,262
Current accounts	3,765,264	2,242,770
	<u>4,656,819</u>	<u>28,678,032</u>

The Company investments in short term Murabaha with original maturity of three months or less are kept with a local bank.

4 INVESTMENT IN INVESTMENT FUNDS UNITS.

	<i>2014</i> <i>SR</i>	<i>2013</i> <i>SR</i>
Cost:		
Balance at the beginning of the year	81,595,210	6,180,640
Additions during the year	83,400,024	152,356,900
Redemptions during the year	(156,042,216)	(77,571,935)
Balance at 31 December	<u>8,953,018</u>	<u>80,965,605</u>
Change in fair value:		
Unrealised gain during the year	507,753	866,405
Realised gain during the year	(348,044)	(236,800)
Balance at the end of the year	<u>159,709</u>	<u>629,605</u>
Total at 31 December	<u><u>9,112,727</u></u>	<u><u>81,595,210</u></u>

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

5 MURABAHA INVESTMENTS

	<i>2014</i> <i>SR</i>	<i>2013</i> <i>SR</i>
Cost:		
Balance at the beginning of the year	-	-
Additions during the year	14,999,869	-
Balance at 31 December	<u>14,999,869</u>	<u>-</u>
Accrued income:		
Accrued income at the beginning of the year	-	-
Accrued income during the year	230,790	-
Balance at 31 December	<u>230,790</u>	<u>-</u>
Total at 31 December	<u><u>15,230,659</u></u>	<u><u>-</u></u>

The Company's murabaha investments with original maturity of more than three months from the purchasing date are kept with foreign banks.

6 PREPAID EXPENSES AND OTHER ASSETS

	<i>2014</i> <i>SR</i>	<i>2013</i> <i>SR</i>
Prepaid expenses	544,372	431,449
Employees receivables	30,673	13,740
Amounts due from related parties (note 21)	4,323,431	732,947
Letter of guarantee	1,820,168	1,820,168
Fixed asset intended for sales	14,187	50,586
Accrued income	28,933	12,126
Other assets	52,964	37,699
	<u>6,814,728</u>	<u>3,098,715</u>

7 INVESTMENT IN REAL ESTATE FUNDS AT FAIR VALUE

	<i>2014</i> <i>SR</i>	<i>2013</i> <i>SR</i>
Balance at the beginning of the year	34,861,827	31,194,822
Additions during the year	64,264,029	10,000,000
Disposals during the year	(1,000,000)	(8,152,818)
Unrealised gain during the year	764,925	1,819,823
	<u>98,890,781</u>	<u>34,861,827</u>

8 INVESTMENT IN AVAILABLE FOR SALE SECURITIES

	<i>2014</i> <i>SR</i>	<i>2013</i> <i>SR</i>
Cost:		
Balance at beginning of the year	3,552,766	8,397,659
Additions	6,451,481	381,297
Disposals	(3,685,642)	(5,226,190)
Impairment in market value	(1,811,098)	-
Balance at 31 December	<u>4,507,507</u>	<u>3,552,766</u>
Change in Fair Value:		
Balance at beginning of the year	888,466	155,258
Unrealized (loss)/gain from revaluation of investments	(1,035,443)	733,208
Balance at 31 December	<u>(146,977)</u>	<u>888,466</u>
Balance at 31 December	<u>4,360,530</u>	<u>4,441,232</u>

9 SUKUK INVESTMENTS

	<i>2014</i> <i>SR</i>	<i>2013</i> <i>SR</i>
Cost:		
Additions	<u>3,086,737</u>	<u>-</u>
Balance at 31 December	<u><u>3,086,737</u></u>	<u><u>-</u></u>

During the year, the company purchased sukuk issued by a Saudi company and Sharjah government.

10 INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

The investment in unconsolidated subsidiary represents an investment of 99% of Reif Al Nakhil Limited Company's capital. The subsidiary was registered on 16 Shawal 1433H (corresponding to 3 September 2013) for the purpose of registering the ownership of the properties owned by funds managed by Itqan Capital in its name.

The subsidiaries do not have any trading activity, therefore, it is not consolidated and the investment is recorded at cost.

11 FIXED ASSETS

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

Equipment	5 years
Computers and software	3 - 4 years
Furniture and fixtures	10 years
Motor vehicles	4 years
Leasehold improvements	The shorter of 5 years or lease period

Itqan Capital (A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2014

11 FIXED ASSETS (continued)

	Equipment SR	Computers and software SR	Furniture and fixtures SR	Motor vehicles SR	Leasehold improvements SR	Total 2014 SR	Total 2013 SR
Cost:							
At the beginning of the year	252,362	3,321,267	647,125	197,700	1,484,857	5,903,311	8,270,338
Additions	8,249	124,257	15,103	-	5,600	153,209	170,869
Disposals	-	-	-	-	-	-	(2,537,896)
At the end of the year	260,611	3,445,524	662,228	197,700	1,490,457	6,056,520	5,903,311
Depreciation:							
At the beginning of the year	241,850	2,717,228	301,800	91,519	628,094	3,980,491	5,376,120
Charge for the year	1,068	181,429	72,565	49,426	298,041	602,529	1,091,681
Disposals	-	-	-	-	-	-	(2,487,310)
At the end of the year	242,918	2,898,657	374,365	140,945	926,135	4,583,020	3,980,491
Net book value							
At 31 December 2014	17,693	546,867	287,863	56,755	564,322	1,473,500	
At 31 December 2013	10,512	604,039	345,325	106,181	856,763		1,922,820

11 FIXED ASSETS NET (continued)

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

	<i>2014</i> <i>SR</i>	<i>2013</i> <i>SR</i>
Operating cost	45,958	239,785
General and administrative expenses (note 18)	556,571	851,896
	<u>602,529</u>	<u>1,091,681</u>

12 ACCRUED EXPENSES AND OTHER PAYABLES

	<i>2014</i> <i>SR</i>	<i>2013</i> <i>SR</i>
Employees' bonus and salaries	24,250	25,452
Accrued vacation	731,548	762,983
Other claims	2,901,581	2,901,581
Other payables	815,458	601,722
	<u>4,472,837</u>	<u>4,291,738</u>

13 ZAKAT AND INCOME TAX

Charge for the year

	<i>2014</i> <i>SR</i>	<i>2013</i> <i>SR</i>
Current year provision	825,424	233,596
Prior year adjustment	1,365	22,670
	<u>826,789</u>	<u>256,266</u>

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

	<i>2014</i> <i>SR</i>	<i>2013</i> <i>SR</i>
Shareholders' equity at 1 January	47,749,918	58,756,909
Capital increase	100,000,000	-
Opening allowances and other adjustments	4,433,334	3,973,503
Book value of long term assets	(104,823,811)	(41,324,879)
	<u>47,359,441</u>	<u>21,405,533</u>
Adjusted loss for the year	(8,196,089)	(10,935,580)
Zakat base	<u>39,163,352</u>	<u>10,469,953</u>

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 Department of Zakat and Income Tax.

13 ZAKAT AND INCOME TAX (continued)

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

	2014 SR	2013 SR
At the beginning of the year	233,596	399,672
Provided during the year	825,424	233,596
Prior year adjustment	1,365	22,670
Paid during the year	(234,961)	(422,342)
At the end of the year	<u>825,424</u>	<u>233,596</u>

Status of assessments

The Company has submitted its zakat declaration and received a zakat certificate for its first fiscal period ended on 31 December 2008 and the following five years from 31 December 2009 until 31 December 2013.

The company has received an assessment of its first fiscal period ended 31 December 2008, revealing additional zakat. The company appealed the mentioned assessment to the preliminary committee which approved certain assessment items resulting in reduction of the payable zakat to the amount of SR 1,820,168. The company has raised an appeal to the High Appeal Committee (HAC) and submitted a bank guarantee letter with the mentioned amount. The HAC issued its resolution on 8 Rabi Awal 1436H (corresponding to 30 December 2014) rejecting the appeal raised by the company. The company is making the required arrangement to complain against the HAC's resolution to the Board of Grievances ("BOG"). The assessment for the years from 2009 to 2013 has not yet been raised by the department of zakat and Income Tax.

Income Tax

Tax was not charged to the foreign shareholders for the year ended 31 December 2014 as the company incurred net losses for this year.

14 SUBORDINATED LOAN FORM SHAREHOLDERS

During 2013, the company obtained a loan of SR 100,000,000 from Albaraka Islamic Bank – Bahrain (shareholder). The loan is repayable through a lump-sum payment on 28 February 2018. The loan is free from any commission or interest. Pursuant to the loan agreement and approval of all shareholders, the nominal value of the loan was converted into shares (notes 15 and 21).

15 SHARE CAPITAL

The company's paid up capital is SR 173,417,900 divided into 17,341,790 shares of SR 10 each (2013: SR 73,417,900 divided into 7,341,790 shares).

On 25 July 2013 (corresponding to 16 Ramadan 1434H), the shareholders of the company in their extraordinary general assembly resolved to decrease the company issued capital from SR 360,000,000 to SR 200,000,000 by discharging the shareholders obligation of paying the unpaid share amount. They also decided to decrease the company's capital by cancelling 12,658,210 shares out of the total paid and issued shares of 20,000,000 shares. Hence the capital was decreased by SR 126,582,100 to become SR 73,417,900. The company completed all the legal formalities related to the capital reduction during the year.

15 SHARE CAPITAL (continued)

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 (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 the 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. All required regulatory steps were completed during the year.

The issued and paid up capital after the capital increase at 31 December 2014 and after the capital decrease on 31 December 2013 is as follows:

Shareholder	Nationality	2014		2013	
		Percentage of ownership %	Total SR	Percentage of ownership %	Total SR
Al Baraka Financial Group B.S.C.	Kingdom of Al Bahrain	57.664	100,000,000	-	-
Al Baraka Islamic Bank – Bahrain	Kingdom of Al Bahrain	25.401	44,050,740	60	44,050,740
Aseer For Trading, Tourism, Industrial, Agricultural, Real Estate & Contracting Co.	Kingdom of Saudi Arabia	8.467	14,683,580	20	14,683,580
Sheikh Saleh Abdullah Kamel	Kingdom of Saudi Arabia	6.734	11,676,860	15.94	11,686,860
Al Baraka Investment & Development Co.	Kingdom of Saudi Arabia	0.423	734,180	1	734,180
Dallah Albaraka Holding Co. (Saudi Arabia)	Kingdom of Saudi Arabia	0.423	734,180	1	734,180
Mr. Mohey Aldeen Saleh Abdullah Kamel	Kingdom of Saudi Arabia	0.423	734,180	1	734,180
Mr. Abdullah Mohammed Abdo Yamani	Kingdom of Saudi Arabia	0.423	734,180	1	734,180
Mr. Abdul Aziz M. Yamani – Chairman	Kingdom of Saudi Arabia	0.006	10,000	0.01	10,000
Mr. Abdulelah A. Sabbahi – Director	Kingdom of Saudi Arabia	0.006	10,000	0.01	10,000
Mr. Adil S. Dahlawi – Managing Director and Chief Executive Officer	Kingdom of Saudi Arabia	0.006	10,000	0.01	10,000
Mr. Adnan A. Yousif – Director	Kingdom of Al Bahrain	0.006	10,000	0.01	10,000
Mr. Waleed Abdul Aziz Kiyal – Director	Kingdom of Saudi Arabia	0.006	10,000	-	-
Mr. Mohammed Abdullah Nour AlDeen – Director	Kingdom of Al Bahrain	0.006	10,000	0.01	10,000
Dr. Khaled Abdullah Atieq – Director	Kingdom of Al Bahrain	0.006	10,000	-	-
Mr. Abdullah I. Al-Howaish – Director	Kingdom of Saudi Arabia	-	-	0.01	10,000
			<u>173,417,900</u>		<u>73,417,900</u>

16 STATUTORY RESERVE

In accordance with the Saudi Arabian regulations for companies and the Company's memorandum of association, 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.

17 SEGMENT INFORMATION

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

<i>Description</i>	2014				Total SR
	<i>Principal investment SR</i>	<i>Investment banking SR</i>	<i>Business development SR</i>	<i>Investment funds/portfolios management SR</i>	
Activities income, net	5,689,787	140,000	442,873	2,652,273	8,924,933
Operating costs, net	(588,625)	(638,303)	(1,690,340)	(3,633,480)	(6,550,748)
Gross profit/(loss)	5,101,162	(498,303)	(1,247,467)	(981,207)	2,374,185

<i>Description</i>	2013				Total SR
	<i>Principal investment SR</i>	<i>Investment banking SR</i>	<i>Business development SR</i>	<i>Investment funds/portfolios management SR</i>	
Activities income, net	4,380,997	-	320,861	1,347,401	6,049,259
Operating costs	(565,411)	(489,377)	(1,633,816)	(3,811,709)	(6,500,313)
Gross profit/(loss)	3,815,586	(489,377)	(1,312,955)	(2,464,308)	(451,054)

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

18 GENERAL AND ADMINISTRATIVE EXPENSES

	2014 SR	2013 SR
Salaries and wages	8,260,116	6,952,514
Subscription fees	98,829	119,586
Maintenance	261,014	293,210
Consultancy and professional fees	321,500	322,876
Publicity, advertising and public relations	38,385	499,989
Depreciation (note 11)	556,571	851,896
Rent	683,497	557,570
Other	695,064	702,030
	10,914,976	10,299,671

19 BASIC LOSS PER SHARE

The basic loss per share from net loss for the year ended 31 December 2014, has been calculated by dividing the net loss for the year by the average number of outstanding shares of 8,382,886 (2013: number of outstanding shares 17,052,198).

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.

20 ASSETS UNDER 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 2014, the assets under management totalled SR 236,955,475 (2013: SR 164,973,804).

Itqan Capital (A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2014

21 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:

<i>Amounts due from related parties</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>		<i>Balance</i>	
		<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Al tawfeek House for Development Company	Rent - Expense	46,671	46,832	-	-
Dallah for Real Estate Development and Tourism	Rent - Expense	22,100	12,914	-	-
Investment funds	Various	2,186,193	2,675	2,186,193	2,675
	Management fees	2,581,642	827,040	1,912,232	658,066
	Custodian fees	289,691	93,663	213,296	71,206
	Subscription fees	223,813	233,200	-	-
Board of Directors expenses	Expenses	52,546	21,857	-	-
Others	Various	10,710	-	11,710	1,000
				<u>4,323,431</u>	<u>732,947</u>
Amounts due to related parties					
Al Baraka Islamic Bank – Bahrain	Subordinated loan	-	100,000,000	-	100,000,000
				<u>-</u>	<u>100,000,000</u>

Prices and terms of payment with related parties are approved by the management.

Amounts due from and to related parties are shown in note 6.

22 RISK MANAGEMENT

Interest rate risk

The Company is not subject to interest rate risk as it trades in Shari'a compliant products only.

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, cash equivalent and financial instruments available for sale.

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

	<i>Less than 3 months SR</i>	<i>3 to 12 months SR</i>	<i>Total SR</i>
Year ended 31 December 2014			
Accounts payables and accruals	-	4,472,837	4,472,837
Total	-	4,472,837	4,472,837
	<i>Less than 3 months SR</i>	<i>3 to 12 months SR</i>	<i>Total SR</i>
Year ended 31 December 2013			
Accounts payables and accruals	-	4,291,738	4,291,738
Total	-	4,291,738	4,291,738

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 material 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.

23 REGULATORY CAPITAL REQUIREMENT AND CAPITAL ADEQUACY RATIO

	2014	2013	Change
	SR	SR	percentage%
Capital base			
Tier-I capital	136,424,263	47,750,000	186
Tier-II capital	-	23,875,000	(100)
Total	136,424,263	71,625,000	90
Minimum capital requirement			
Credit risk	26,506,000	28,501,000	(7)
Market risk	1,458,000	21,975,000	(93)
Operation risk	4,200,000	4,200,000	-
Total	32,164,000	54,676,000	(41)
Capital adequacy ratio	4.24	1.31	224
Surplus	104,260,263	16,949,000	515

Capital base comprise of :

Tier-I capital:

Comprise of paid up capital, accumulated losses, share premium, reserves except revaluation 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.