

Itqan Capital
(A Closed Saudi Joint Stock Company)

FINANCIAL STATEMENTS

31 DECEMBER 2015

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 2015, 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 2015 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

29 Rabi Thani 1437 H
8 February 2016

Jeddah

15/23/00



Itqan Capital (A Closed Saudi Joint Stock Company)

BALANCE SHEET

As at 31 December 2015

	<i>Note</i>	2015 SR	2014 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	3,905,761	4,656,819
Investments in units of investment funds	4	22,848,689	9,112,727
Murabaha investments	5	-	15,230,659
Prepaid expenses and other assets	6	9,477,365	6,814,728
TOTAL CURRENT ASSETS		36,231,815	35,814,933
NON-CURRENT ASSETS			
Investments in real estate funds at fair value	7	67,065,112	98,890,781
Investments in real estate	8	5,520,276	-
Investments in available for sale securities	9	8,472,470	4,360,530
Investments in sukuk	10	3,086,737	3,086,737
Investment in unconsolidated subsidiaries	11	297,000	99,000
Fixed assets, net	12	7,987,987	1,473,500
TOTAL NON-CURRENT ASSETS		92,429,582	107,910,548
TOTAL ASSETS		128,661,397	143,725,481
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accrued expenses and other payables	13	4,284,103	4,472,837
Zakat	14	810,271	825,424
TOTAL CURRENT LIABILITIES		5,094,374	5,298,261
NON-CURRENT LIABILITIES			
Provision of employees end of service benefits		1,852,133	2,002,957
TOTAL NON-CURRENT LIABILITIES		1,852,133	2,002,957
TOTAL LIABILITIES		6,946,507	7,301,218
SHAREHOLDERS' EQUITY			
Share capital	15	173,417,900	173,417,900
Unrealized loss from revaluation of investments		(890,334)	(146,977)
Accumulated losses		(50,812,676)	(36,846,660)
TOTAL SHAREHOLDERS' EQUITY		121,714,890	136,424,263
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		128,661,397	143,725,481

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 2015

	<i>Note</i>	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
REVENUE			
Operating revenue	17	<u>4,795,321</u>	8,924,933
Total revenue		<u>4,795,321</u>	<u>8,924,933</u>
OPERATING COSTS			
Employees cost		(5,472,407)	(4,911,622)
Operating cost		<u>(1,358,562)</u>	<u>(1,639,126)</u>
Total operating costs	17	<u>(6,830,969)</u>	<u>(6,550,748)</u>
Gross (Loss)/ Income		(2,035,648)	2,374,185
EXPENSES			
Impairment of an investment in available for sale securities		-	(1,811,098)
General and administrative	18	<u>(11,199,547)</u>	<u>(10,914,976)</u>
Total expenses		<u>(11,199,547)</u>	<u>(12,726,074)</u>
NET LOSS FOR THE YEAR		<u>(13,235,195)</u>	<u>(10,351,889)</u>
Loss per share:			
From net loss for the year	19	<u>(0.76)</u>	<u>(1.23)</u>
Weighted average number of shares outstanding during the year (shares)		<u>17,341,790</u>	<u>8,382,886</u>

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 2015

	<i>Note</i>	2015 SR	2014 SR
OPERATING ACTIVITIES			
Net loss for the year		(13,235,195)	(10,351,889)
Adjustments for:			
Depreciation	12, 8	670,716	602,529
Impairment of an investment in available for sale securities	9	-	1,811,098
Loss on write off of fixed assets		471,429	-
Provision of employees end of service benefits		181,144	620,923
Accrued income from murabaha investment	5	(519,810)	(230,790)
Unrealized gain from investment in units of investment funds		(403,900)	(159,709)
Unrealized loss (gain) from investment in real estate funds	7	2,554,150	(764,925)
		(10,281,466)	(8,472,763)
Changes in operating assets and liabilities:			
Prepaid expenses and other assets		(2,662,637)	(3,716,013)
Accrued expenses and other payables		(188,734)	181,099
Employees end of service benefits paid		(331,968)	(151,084)
Zakat paid		(745,974)	(234,961)
Net cash used in operating activities		(14,210,779)	(12,393,722)
INVESTING ACTIVITIES			
Purchase of fixed assets	12	(7,609,443)	(153,209)
Investments in units of investment funds		(13,332,062)	72,642,192
Investment in unconsolidated subsidiaries		(198,000)	-
Investment in real estate funds		29,271,519	(63,264,029)
Investment in real estate		(5,567,465)	-
Investments in sukuk		-	(3,086,737)
Proceeds from sale of investments in available for sale securities		2,284,282	3,685,642
Investments in available for sale securities		(7,139,579)	(6,451,481)
Investments in murabaha		15,750,469	(14,999,869)
Net cash from (used in) investing activities		13,459,721	(11,627,491)
DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		4,656,819	28,678,032
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		3,905,761	4,656,819
Additional non-cash information			
Net change in fair value of investment in available for sale securities		(743,357)	(1,035,443)
Capital increase by converting the subordinated loan from shareholders to equity		-	100,000,000

The attached notes 1 to 23 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 2015

	<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 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 14)	-	-	(826,789)	(826,789)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2014	173,417,900	(146,977)	(36,846,660)	136,424,263
Net change in fair value	-	(743,357)	-	(743,357)
Loss for the year	-	-	(13,235,195)	(13,235,195)
Zakat (note 14)	-	-	(730,821)	(730,821)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	173,417,900	(890,334)	(50,812,676)	121,714,890

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

Itqan Capital (A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

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, 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 29 Rabi' Al Thani 1437H, (corresponding to 8 February 2016).

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 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.

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 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.

During the previous 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 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 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.

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 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 statement of 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 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 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 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.

3 CASH AND CASH EQUIVALENTS

	2015 SR	2014 SR
Murabaha placements (see note below)	-	891,555
Current accounts	<u>3,905,761</u>	<u>3,765,264</u>
	<u><u>3,905,761</u></u>	<u><u>4,656,819</u></u>

As at 31 December 2014, the Company invested in short term murabaha with original maturity of three months or less which were kept with a local bank.

Itqan Capital (A Closed Saudi Joint Stock Company)
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 At 31 December 2015

4 INVESTMENTS IN UNITS OF INVESTMENT FUNDS

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
Cost:		
Balance at the beginning of the year	9,112,727	81,595,210
Additions during the year	37,149,770	83,400,024
Redemptions during the year	(23,817,708)	(156,042,216)
Balance at 31 December	22,444,789	8,953,018
Change in fair value:		
Unrealised gain during the year	479,275	507,753
Realised gain during the year	(75,375)	(348,044)
Balance at 31 December	403,900	159,709
Balance at 31 December	22,848,689	9,112,727

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

5 MURABAHA INVESTMENTS

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
Cost:		
Balance at the beginning of the year	14,999,869	-
Additions during the year	-	14,999,869
Disposals for the year	(14,999,869)	-
Balance at 31 December	-	14,999,869
Accrued income:		
Accrued income at the beginning of the year	230,790	-
Accrued income during the year	519,810	230,790
Collected income during the year	(750,600)	-
Balance at 31 December	-	230,790
Balance at 31 December	-	15,230,659

As at 31 December 2014, the Company's murabaha investments with original maturity of more than three months from the purchasing date were kept with foreign banks.

Itqan Capital (A Closed Saudi Joint Stock Company)
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 At 31 December 2015

6 PREPAID EXPENSES AND OTHER ASSETS

	<i>2015</i>	<i>2014</i>
	<i>SR</i>	<i>SR</i>
Prepaid expenses	623,508	544,372
Employees receivables	59,530	30,673
Amounts due from related parties (note 21)	6,644,598	4,323,431
Letter of guarantee deposit	1,820,168	1,820,168
Fixed asset held for sale	14,187	14,187
Accrued income	28,905	28,933
Other assets	286,469	52,964
	9,477,365	6,814,728

7 INVESTMENTS IN REAL ESTATE FUNDS AT FAIR VALUE

	<i>2015</i>	<i>2014</i>
	<i>SR</i>	<i>SR</i>
Balance at the beginning of the year	98,890,781	34,861,827
Additions during the year	-	64,264,029
Disposals during the year	(29,271,519)	(1,000,000)
Unrealised (loss) gain during the year	(2,554,150)	764,925
	67,065,112	98,890,781

8 INVESTMENTS IN REAL ESTATE

	<i>2015</i>	<i>2014</i>
	<i>SR</i>	<i>SR</i>
Cost:		
Balance at the beginning of the year	-	-
Additions during the year	5,567,465	-
Balance at 31 December	5,567,465	-
Depreciation:		
Balance at the beginning of the year	-	-
Depreciation during the year	(47,189)	-
Balance at 31 December	(47,189)	-
Balance at 31 December	5,520,276	-

Itqan Capital (A Closed Saudi Joint Stock Company)
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 At 31 December 2015

9 INVESTMENTS IN AVAILABLE FOR SALE SECURITIES

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
Cost:		
Balance at beginning of the year	4,507,507	3,552,766
Additions	7,139,579	6,451,481
Disposals	(2,284,282)	(3,685,642)
Impairment in market value	-	(1,811,098)
Balance at 31 December	9,362,804	4,507,507
Change in fair value:		
Balance at beginning of the year	(146,977)	888,466
Unrealized loss from revaluation of investments	(743,357)	(1,035,443)
Balance at 31 December	(890,334)	(146,977)
Balance at 31 December	8,472,470	4,360,530

10 INVESTMENTS IN SUKUK

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
Cost:		
Balance at the beginning of the year	3,086,737	-
Additions	-	3,086,737
Balance at 31 December	3,086,737	3,086,737

During the prior year, the Company purchased sukuks issued by a Saudi Company and Sharjah Government and were recorded at cost, because there is no active market for such sukuks.

Itqan Capital (A Closed Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2015

11 INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

The investment in unconsolidated subsidiaries are as follows:

- An investment of 99% 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 99% 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 99% 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 ownership of the properties owned by the funds, managed by Itqan Capital in their name.

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

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

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
Cost:		
Balance at the beginning of the year	99,000	99,000
Additions	198,000	-
Balance at 31 December	297,000	99,000

12 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
Leasehold improvements	The shorter of 5 years or lease period
Buildings	33 years

Itgan Capital (A Closed Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
 At 31 December 2015

12 FIXED ASSETS (continued)

	Equipment SR	Computers and software SR	Furniture and fixtures SR	Motor vehicles SR	Leasehold improvements SR	Buildings SR	Total 2015 SR	Total 2014 SR
Cost:								
At the beginning of the year	260,611	3,445,524	662,228	197,700	1,490,457	-	6,056,520	5,903,311
Additions	-	71,683	-	-	37,000	7,500,760	7,609,443	153,209
Disposals	(260,611)	(1,624,427)	(476,918)	-	(1,527,457)	-	(3,889,413)	-
At the end of the year	-	1,892,780	185,310	197,700	-	7,500,760	9,776,550	6,056,520
Depreciation:								
At the beginning of the year	242,918	2,898,657	374,365	140,945	926,135	-	4,583,020	3,980,491
Charge for the year	3,403	207,243	67,761	43,921	301,199	-	623,527	602,529
Disposals	(246,321)	(1,585,046)	(359,283)	-	(1,227,334)	-	(3,417,984)	-
At the end of the year	-	1,520,854	82,843	184,866	-	-	1,788,563	4,583,020
Net book value								
At 31 December 2015	-	371,926	102,467	12,834	-	7,500,760	7,987,987	
At 31 December 2014	17,693	546,867	287,863	56,755	564,322	-		1,473,500

Itqan Capital (A Closed Saudi Joint Stock Company)
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 At 31 December 2015

12 FIXED ASSETS (continued)

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

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
Operating cost	51,389	45,958
General and administrative expenses (note 18)	572,138	556,571
	<u>623,527</u>	<u>602,529</u>

13 ACCRUED EXPENSES AND OTHER PAYABLES

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
Employees' bonus and salaries	127,404	24,250
Accrued vacation	467,050	731,548
Other claims	2,901,581	2,901,581
Other payables	788,068	815,458
	<u>4,284,103</u>	<u>4,472,837</u>

14 ZAKAT

Charge for the year

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
Current year provision	810,271	825,424
Prior year adjustment	(79,450)	1,365
	<u>730,821</u>	<u>826,789</u>

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

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>
Shareholders' equity at 1 January	136,571,240	47,749,918
Capital increase	-	100,000,000
Opening allowances and other adjustments	4,983,988	4,433,334
Book value of long term assets	(91,376, 981)	(104,823,811)
	<u>50,178,247</u>	<u>47,359,441</u>
Adjusted loss for the year	(11,733,843)	(8,196,089)
Zakat base	<u>38,444,404</u>	<u>39,163,352</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.

Itqan Capital (A Closed Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2015

14 ZAKAT (continued)

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

	2015	2014
	SR	SR
At the beginning of the year	825,424	233,596
Provided during the year	810,271	825,424
Prior year adjustment	(79,450)	1,365
Paid during the year	(745,974)	(234,961)
At the end of the year	810,271	825,424

Status of assessments

The Company has submitted its zakat declaration from incorporation till the year ended 31 December 2014 and has received a zakat certificate valid until 30 April 2016.

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 rejecting the appeal raised by the Company, therefore, the Company has raised a complaint against the HAC's resolution to the Board of Grievances ("BOG") which has not issued a decision till now.

Department of Zakat and Income Tax ("DZIT") issued a discussion letter for the years from 2009 to 2014 requesting certain information about these years, the Company is preparing the requested information to present to DZIT. Accordingly, DZIT did not raised zakat assessments for the years from 2009 to 2014.

Income Tax

Tax was not charged to the foreign shareholders for the year ended 31 December 2015, since the Company has incurred net loss for this year.

15 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 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.

Itqan Capital (A Closed Saudi Joint Stock Company)
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 At 31 December 2015

15 SHARE CAPITAL (continued)

The issued and paid Capital as on 31 December 2015 & 31 December 2014 are as the following:

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

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.

Itqan Capital (A Closed Saudi Joint Stock Company)
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 At 31 December 2015

17 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.

Description	2015				Total SR
	Principal investment SR	Investment banking SR	Business development SR	Investment funds/portfolios management SR	
Activities income, net	1,379,750	430,000	347,816	2,637,755	4,795,321
Operating costs, net	(577,254)	(419,130)	(1,495,420)	(4,339,165)	(6,830,969)
Gross income/(loss)	802,496	10,870	(1,147,604)	(1,701,410)	(2,035,648)

Description	2014				Total SR
	Principal investment SR	Investment banking SR	Business development SR	Investment funds/portfolios management SR	
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 income/(loss)	5,101,162	(498,303)	(1,247,467)	(981,207)	2,374,185

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

18 GENERAL AND ADMINISTRATIVE EXPENSES

	2015 SR	2014 SR
Salaries and wages	7,713,903	8,260,116
Subscription fees	66,878	98,829
Maintenance	270,141	255,879
Consultancy and professional fees	550,796	321,500
Publicity, advertising and public relations	2,650	38,385
Depreciation (note 12)	572,138	556,571
Rent	710,672	683,497
Fixed assets written off	471,428	-
Others	840,941	700,199
	11,199,547	10,914,976

19 BASIC LOSS PER SHARE

The basic loss per share from net loss for the year ended 31 December 2015, has been calculated by dividing the net loss for the year by the average number of outstanding shares of 17,341,790 (2014: number of outstanding shares 8,382,886).

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.

Itqan Capital (A Closed Saudi Joint Stock Company)
 NOTES TO THE FINANCIAL STATEMENTS (continued)
 At 31 December 2015

20 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 2015, the assets under management in favour of others amounting to SR 223,388,778 (2014: SR 236,955,475).

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>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Al Baraka Investment & Development Co.	Rent - Expense	46,800	46,671	-	-
Dallah for Real Estate Development and Tourism	Rent - Expense	18,407	22,100	-	-
Investment funds	Various	2,129,996	2,186,193	4,316,189	2,186,193
	Management fees	2,533,162	2,581,642	2,042,182	1,912,232
	Custodian fees	336,909	289,691	283,227	213,296
	Subscription fees	115,500	223,813	-	-
Board of Directors expenses	Expenses	141,267	52,546	-	-
Others	Various	2,000	10,710	3,000	11,710
				6,644,598	4,323,431

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

Amounts due from 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 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.

	<i>Less than 3 months SR</i>	<i>3 to 12 months SR</i>	<i>Total SR</i>
<i>Year ended 31 December 2015</i>			
Accounts payables and accruals	-	4,284,103	4,284,103
Total	-	4,284,103	4,284,103
<i>Year ended 31 December 2014</i>			
Accounts payables and accruals	-	4,472,837	4,472,837
Total	-	4,472,837	4,472,837

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.

23 REGULATORY CAPITAL REQUIREMENT AND CAPITAL ADEQUACY RATIO

	<i>2015</i> <i>SR</i>	<i>2014</i> <i>SR</i>	<i>Change</i> <i>percentage</i> <i>%</i>
Capital base			
Tier-I capital	121,714,890	136,424,263	(12)
Tier-I I capital	-	-	
Total	121,714,890	136,424,263	(12)
Minimum capital requirement			
Credit risk	54,276,000	26,506,000	106
Market risk	63,000	1,458,000	(96)
Operation risk	4,592,000	4,200,000	9
Total	58,931,000	32,164,000	84
Capital adequacy ratio	2.07	4.24	(52)
Surplus	62,783,890	104,260,263	(42)

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.