

**Alkhair Capital Saudi Arabia Company**  
**(A Saudi Joint Stock Company)**  
**Consolidated financial statements**  
**For the year ended 31 December 2013**  
together with the  
**INDEPENDENT AUDITOR'S REPORT**



**KPMG Al Fozan & Al Sadhan**  
KPMG Tower  
Salahudeen Al Ayoubi Road  
P O Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia

Telephone +966 11 8748500  
Fax +966 11 8748600  
Internet www.kpmg.com.sa

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

## INDEPENDENT AUDITOR'S REPORT

**The Shareholders**  
**Al Khair Capital Saudi Arabia Company**  
**Saudi Joint Stock Company**  
**Riyadh, Kingdom of Saudi Arabia**

We have audited the accompanying consolidated financial statements of **Al Khair Capital Saudi Arabia Company**, a Saudi Joint Stock Company, ("the Company") and its subsidiary (collectively referred as "the Group") which comprise the consolidated balance sheet as at 31 December 2013 and the related consolidated statements of income, cash flow and changes in equity for the year then ended and the attached notes (1) through (20) which form an integral part of these consolidated financial statements.

### *Management's responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article 123 of the Regulations for Companies and the Company's by-laws and for such internal controls as management determines are necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

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

- 1) present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and
- 2) comply with the requirements of the Regulations for Companies and the Company's bye-laws with respect to the preparation and presentation of the consolidated financial statements.

**For KPMG Al Fozan & Al Sadhan**



Abdullah H. Al Fozan  
License No. 348



Riyadh on 27 Rabi II 1435H  
Corresponding to: 27 February 2014

**Alkhair Capital Saudi Arabia Company**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED BALANCE SHEET**  
As at 31 December 2013  
(Saudi Arabian Riyals)

	<u>Notes</u>	<u>2013</u>	2012
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balance	4	15,072,381	4,211,458
Money market placements – current	5	--	50,000,000
Prepayments and other current assets	6	7,702,712	2,841,122
Due from a related party	10c	890,426	890,251
<b>Total current assets</b>		<u>23,665,519</u>	<u>57,942,831</u>
<b>Non-current assets</b>			
Money market placements non – current	5	--	203,515,582
Property and equipment, net	7	965,340	1,412,556
Investments - available for sale	8	20,440,030	--
Investment properties	9	210,050,000	--
<b>Total non-current assets</b>		<u>231,455,370</u>	<u>204,928,138</u>
<b>Total assets</b>		<u>255,120,889</u>	<u>262,870,969</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Due to a related party	10c	7,347,279	6,947,005
Accrued zakat	11	13,781,909	18,335,334
Accrued expenses and other current liabilities		638,681	1,031,311
<b>Total current liabilities</b>		<u>21,767,869</u>	<u>26,313,650</u>
<b>Non-current liabilities</b>			
Employees' end of service benefits	12	1,083,173	1,608,734
<b>Total non-current liabilities</b>		<u>1,083,173</u>	<u>1,608,734</u>
<b>Total liabilities</b>		<u>22,851,042</u>	<u>27,922,384</u>
<b>Shareholders' equity</b>			
Share capital	13	300,000,000	300,000,000
Unrealized gain on available-for-sale investments	8	330,914	--
Accumulated losses		(68,061,067)	(65,051,415)
<b>Total shareholders' equity</b>		<u>232,269,847</u>	<u>234,948,585</u>
<b>Total liabilities and shareholders' equity</b>		<u>255,120,889</u>	<u>262,870,969</u>

The accompanying notes 1 to 20 form an integral part of these consolidated financial statements

**Alkhair Capital Saudi Arabia Company**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF INCOME**  
For the year ended 31 December 2013  
(Saudi Arabian Riyals)

	<u>Note</u>	<u>2013</u>	<u>2012</u>
Special commission income	5	9,850,778	11,060,944
Brokerage income		1,152,119	1,425,817
Income from assets held under fiduciary capacity	16	1,853,759	--
Advisory fee	17	2,025,750	--
Custody fee		357,045	--
Other income		303,511	--
<b>Total income</b>		<u>15,542,962</u>	<u>12,486,761</u>
<b>Operating expenses</b>			
Staff cost		(11,414,989)	(17,457,462)
Premises cost		(2,906,368)	(3,032,350)
Depreciation and amortization	7	(454,626)	(884,354)
Other general and administration expenses	14	(3,246,580)	(6,129,384)
<b>Total operating expenses</b>		<u>(18,022,563)</u>	<u>(27,503,550)</u>
<b>Net loss before zakat</b>		(2,479,601)	(15,016,789)
Zakat charge for the year	11a	(530,051)	(6,445,020)
<b>Net loss for the year after zakat</b>		<u>(3,009,652)</u>	<u>(21,461,809)</u>
<b>Loss per share:</b>	15		
Operating loss per share		<u>0.08</u>	<u>0.50</u>
Net loss per share		<u>0.10</u>	<u>0.71</u>
Other income per share		<u>0.01</u>	<u>--</u>
Weighted average number of shares in issue for the year		<u>30,000,000</u>	<u>30,000,000</u>

The accompanying notes 1 to 20 form an integral part of these consolidated financial statements.

**Alkhair Capital Saudi Arabia Company**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2013  
*(Saudi Arabian Riyals)*

	<u>2013</u>	2012
<b>Cash flow from operating activities</b>		
Net loss for the year after zakat	(3,009,652)	(21,461,809)
<i>Adjustment to reconcile net loss for the year after zakat to net cash used in operating activities:</i>		
Depreciation and amortization	454,626	884,354
Provision for employees' end of service benefits	454,191	911,165
Provision for zakat	530,051	6,445,020
<b>Changes in operating assets and liabilities</b>		
Prepayments and other current assets	(4,861,590)	(80,956)
Accrued expenses and other current liabilities	(392,630)	666,311
Due to a related party, net	400,099	629,310
	(6,424,905)	(12,006,605)
Employees' end of service benefits paid	(979,752)	(224,727)
Zakat paid	(5,083,476)	(107,130)
<b>Net cash used in operating activities</b>	(12,488,133)	(12,338,462)
<b>Cash flow from investing activities</b>		
Money market placements	253,515,582	9,529,017
Investments – available for sale	(20,109,116)	--
Purchase of property and equipment	(7,410)	--
Purchase of investment properties	(210,050,000)	--
<b>Net cash from investing activities</b>	23,349,056	9,529,017
<b>Net increase/ (decrease) in cash and cash equivalents</b>	10,860,923	(2,809,445)
Cash and cash equivalents at beginning of the year	4,211,458	7,020,903
<b>Cash and cash equivalents at end of the year</b>	15,072,381	4,211,458

The accompanying notes 1 to 20 form an integral part of these consolidated financial statements.

**Alkhair Capital Saudi Arabia Company**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the year ended 31 December 2013**  
*(Saudi Arabian Riyals)*

	Share capital	Accumulated losses	Unrealized gain on investments - available for sale	Total
Balance as at 01 January 2012	300,000,000	(43,589,606)	--	256,410,394
Net loss for the year	--	(21,461,809)	--	(21,461,809)
<b>Balance as at 31 December 2012</b>	<b>300,000,000</b>	<b>(65,051,415)</b>	<b>--</b>	<b>234,948,585</b>
Net loss for the year	--	(3,009,652)	--	(3,009,652)
Unrealized gain on investments	--	--	330,914	330,914
<b>Balance as at 31 December 2013</b>	<b><u>300,000,000</u></b>	<b><u>(68,061,067)</u></b>	<b><u>330,914</u></b>	<b><u>232,269,847</u></b>

The accompanying notes 1 to 20 form an integral part of these consolidated financial statements.

**Alkhair Capital Saudi Arabia Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2013

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Alkhair Capital Saudi Arabia Company ("the Company") is registered as a Saudi Joint Stock Company in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010264915 dated 27 Rabi Al Awal 1430H corresponding to 24 March 2009 and under license No. 08120-37 issued by Capital Market Authority ("CMA") Resolution No. 2008-35-4, on 07 DhulQuadah 1429H (corresponding to November 05, 2008).

The principal activities of the Company is to act as an agent, principal and underwriter and to provide arranging and advisory services. The Company's activities also include establishment and management of funds and investment portfolios .

The Company's registered office is located at the following address :

Alkhair Capital Saudi Arabia Company  
King Fahad Road  
P.O.Box 69410  
Riyadh 11547, Kingdom of Saudi Arabia

Bank Al Khair BSC ("the Parent Company"), a joint stock company registered in Bahrain owns 53.33% of the Company's share capital.

These consolidated financial statements include the financial statements of the Company and its Subsidiary, Alkhair Capital Real Estate Fund LLC ("the Subsidiary") which is wholly owned by the Company through direct and beneficial ownership. The Company owns 95% of the Subsidiary's share capital and the remaining 5% of the share capital is owned by one of the members of the Company's Board of Directors on behalf of the Company.

The Company and its Subsidiary are collectively described as "the Group" in these consolidated financial statements. The details of the Subsidiary and its activities are as follows:

***Alkhair Capital Real Estate Fund Company***

The Company has established a subsidiary in 2012, Alkhair Capital Real Estate Fund Company, a Limited Liability Company, registered under Commercial Registration No. 1010325452 dated 21 Safar 1433H (corresponding to 15 January 2012) in the Kingdom of Saudi Arabia. The principal activity of the Subsidiary is the management of real estate fund. The Subsidiary has not commenced its operations up to year ended 31 December 2013.

**2. BASIS OF PRESENTATION**

**2.1 Statement of compliance**

The accompanying consolidated financial statements have been presented in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

**2.2 Basis of measurement**

These consolidated financial statements have been prepared under the historical cost convention, except for available for sale investments which are stated at fair value, using the accrual basis of accounting and the going concern concept.



**Alkhair Capital Saudi Arabia Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2013

**2. BASIS OF PRESENTATION (Continued).**

**2.3 Functional and presentation currency**

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

**2.4 Use of estimates and judgements**

The preparation of consolidated financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. While such estimations are based on the current information available to the management, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted are as follows:

**a) *Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its Subsidiary (together as a "Group").

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying an ownership interest of more than half of the voting rights. A subsidiary is consolidated from the date on which control is transferred to the Company and ceases to be consolidated from the date on which the control is transferred from the Company.

Intercompany transactions and balances have been eliminated upon consolidation.

**b) *Cash and cash equivalents***

For cash flow purposes, cash and cash equivalents comprise cash on hand, cash with banks and money market placements, with original maturities of three months or less, which are available to the Group without any restrictions.

**c) *Money Market Placements***

These are placements under Wakala arrangement with the Parent Company and are carried cost. The difference between the initial value and maturity amount is treated as special commission income and accrued over the life of placement on an effective yield basis.

**d) *Property and equipment, net***

Property and equipment are recognized at cost price, after deducting the accumulated depreciation and impairment loss, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

**Alkhair Capital Saudi Arabia Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2013

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the statement of income when incurred.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of furniture and equipment, which are as follows:

	<u>Years</u>
Furniture and fixtures	8
Office equipment	3
Vehicles	5
Computer hardware and software	3

*e) Impairment of assets*

At each balance sheet date, the financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

*f) Investments - Available for sale*

Investments that are bought neither with the intention of being held to maturity nor for the trading purposes, are stated at fair value and are included under non-current assets, unless they will be sold in the next fiscal year. Changes in fair value are credited or charged to the statement of changes in shareholder's equity. Any decline in value considered to be other than temporary, is charged to the statement of income. Dividend income is recorded when right to receive dividend is established, i.e. when it is declared. Fair value is determined by reference to the market value if an open market exists, or the use of other alternative method. Otherwise, cost is considered to be the fair value. Where partial holdings are sold, these are accounted for on a weighted average basis.

*g) Investment property*

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are recognized at cost price, which normally reflects the fair value of the asset purchased determined through either independent valuer or the Company's management assessment, after deducting the accumulated depreciation and impairment loss, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of the investment property, which is 33 years. No depreciation is charged in the month of purchase of the investment property and full depreciation is charged in the month of disposal of the investment property.

*h) Zakat*

Zakat is accrued and charged to statement of income in accordance with Saudi Arabian Tax and Zakat regulations.

*i) Provisions*

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

**Alkhair Capital Saudi Arabia Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2013  
(Saudi Arabian Riyals)

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*j) Employees' end of service benefit*

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

*k) Special commission income*

Special commission income from money market placements is accrued on an effective yield basis.

*l) Brokerage income*

Brokerage commission is recognized when the deal is executed and is recognized net of Tadawul commission and discounts allowed to customers.

*m) Custodian and advisory fee income*

Custodian fee income is recognized on an accrual basis and advisory fee income is recognized when the services are rendered.

*n) Foreign currency translation*

Transactions denominated in foreign currencies are translated to Saudi Arabian Riyals at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated to the Saudi Arabian Riyals at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the statement of income.

*o) Financial instruments*

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. The carrying value of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at balance sheet date.

*p) Assets held in trust or in a fiduciary capacity*

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

*q) Fee from advisory and custodial services*

Fee from advisory and custodial services is recognized in profit or loss as the related services are performed.

**4. CASH AND BANK BALANCE**

	<u>2013</u>	<u>2012</u>
Cash in hand	28,515	8,723
Cash at banks – current account	15,043,866	4,202,735
	15,072,381	4,211,458

**Alkhair Capital Saudi Arabia Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2013  
(Saudi Arabian Riyals)

**5. MONEY MARKET PLACEMENTS**

The Company had entered into a Master Wakala Agreement (“the Agreement”) with the parent Company under which the Parent Company has agreed to manage the funds of the Company and invest these funds on behalf of the Company in Shariah compliant products as a “Wakeel” for a fixed fee and incentive payment. Both parties agreed to terminate this agreement with effect from 23 December 2013.

	<u>2013</u>	<u>2012</u>
Money market placements	--	253,515,582
Less: placements with no fixed maturity	--	(50,000,000)
Non- current money market placements	--	203,515,582

**6. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<u>2013</u>	<u>2012</u>
Accounts receivable	4,699,535	--
Prepaid rent	2,062,500	2,134,200
Receivable from employees	609,918	635,522
Other receivables	330,759	71,400
	7,702,712	2,841,122

**7. PROPERTY AND EQUIPMENT, NET**

	<u>Furniture and fixture</u>	<u>Office equipment</u>	<u>Vehicles</u>	<u>Computer hardware and software</u>	<u>Total</u>
<b>Cost:</b>					
At 1 January 2013	3,221,077	54,886	81,180	673,192	4,030,335
Additions during the year	--	7,410	--	--	7,410
At 31 December 2013	3,221,077	62,296	81,180	673,192	4,037,745
<b>Accumulated depreciation:</b>					
At 1 January 2013	1,855,134	45,446	44,007	673,192	2,617,779
Depreciation charge for the year	427,374	10,654	16,598	--	454,626
At 31 December 2013	2,282,508	56,100	60,605	673,192	3,072,405
<b>Net book value at 31</b>					
- December 2013	938,569	6,196	20,575	--	965,340
- December 2012	1,365,943	9,440	37,173	--	1,412,556

**8. INVESTMENTS – AVAILABLE FOR SALE**

	<u>No. of units / shares</u>	<u>Cost</u>	<u>Change in fair value</u>	<u>Fair value</u>	
<u>Investee fund</u>				<u>2013</u>	<u>2012</u>
Saudi Equity Fund	1,956,664	20,000,000	247,562	20,247,562	--
Bawan IPO	3,031	109,116	83,352	192,468	--
		20,109,116	330,914	20,440,030	--

**Alkhair Capital Saudi Arabia Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2013  
(Saudi Arabian Riyals)

**8. INVESTMENTS – AVAILABLE FOR SALE (CONTINUED)**

- 8.1 During the year, the Company subscribed 1,956,664 units of Saudi Equity Fund for SAR 20,000,000 and 3,031 shares of Bawan Company in its IPO at a cost of SAR 109,116.

**9. INVESTMENT PROPERTIES**

	<b>Land and buildings</b>
<b>Cost:</b>	
At 1 January 2013	--
Purchases of investments properties during the year	<u>210,050,000</u>
<b>At 31 December 2013</b>	<b><u>210,050,000</u></b>
<b>Accumulated depreciation:</b>	
At 1 January 2013	--
Depreciation charge for the year	<u>--</u>
<b>At 31 December 2013</b>	<b><u>--</u></b>
<b>Net book value at 31 December 2013</b>	<b><u>210,050,000</u></b>

- 9.1 The investment properties represents apartment buildings in two blocks having title deed no.710121024572 and 410120028126 within the territory of Dar Al Arkan project, occupying total land area of 24,816 square meters, purchased during the year and sub leased for rental. The Company is currently in the process of transferring title deeds in its name with the Ministry of Justice, which the Company expects to finalize in the near future without any objection from the Ministry. These investment properties are purchased based on the management's assessment of the fair value as of the purchase date.

**10. RELATED PARTY TRANSACTIONS AND BALANCES**

- a) The Group's Parent is Bank Alkhair BSC "The Parent Company". The Group's related parties includes the Parent Company and its affiliated companies. The Company's related party transactions mainly include following transactions with the Parent Company, which are carried out on mutually agreed terms.

b) *Related party transactions and arrangements*

Wakala agreement with the Parent Company

The Parent Company managed funds of the Group under a master wakala agreement as mentioned in the Note 5. The return on each investment transaction and Wakala fee for this transaction is mutually agreed and any return in excess of the agreed rate is retained by the Parent.

The transaction during the year under this arrangement were as follows:

	<u>2013</u>	<u>2012</u>
Fund received due to early termination of the Agreement	<u>263,366,360</u>	<u>20,589,961</u>
Special commission income earned on money market placements	<u>9,850,778</u>	<u>11,060,944</u>

**Alkhair Capital Saudi Arabia Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2013  
(Saudi Arabian Riyals)

**10. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

As disclosed in Note 5, money market placements amounting to SAR Nil (2012: SAR 253,515,582) are placed with the Parent Company.

*Administrative and operational support by the Parent Company*

The Parent Company provides human resource and other infrastructure support to the Group. Such support activities include providing staff on secondment or providing funds to make payments on behalf of the Company. These are charged to the statement of income.

	<u>2013</u>	2012
Expenses borne on behalf of the Group	<u>400,099</u>	<u>690,624</u>
Expenses borne by the Group on behalf of the Parent Company	<u>--</u>	<u>61,314</u>

- c) Due from/ to related party represents net amount receivable from/ payable to the Parent Company as at year end.

**11. ACCRUED ZAKAT**

- a) Zakat charge for the year is SAR 530,051 (2012: SAR 6,445,020) which has been calculated in accordance with the Zakat and Income Tax Regulations.

- b) Main components of the zakat base are as follows :

	<u>2013</u>	2012
Net loss for the year	<u>(2,479,601)</u>	<u>(15,016,789)</u>
Share capital	<u>300,000,000</u>	<u>300,000,000</u>
Accumulated losses	<u>(65,051,415 )</u>	<u>(43,589,606)</u>
Related party balance	<u>6,056,754</u>	<u>6,256,381</u>
Provision for end-of-service benefits	<u>1,083,173</u>	<u>911,165</u>

- c) The movement in accrued zakat during the year is as follows:

	<u>2013</u>	2012
Balance at beginning of the year	<u>18,335,334</u>	<u>11,997,444</u>
Charge for the year	<u>530,051</u>	<u>6,445,020</u>
Payments during the year	<u>(5,083,476)</u>	<u>(107,310)</u>
Balance at the end of the year	<u>13,781,909</u>	<u>18,335,334</u>

- d) *Status of assessment*

The Company has filed its zakat and income tax declaration upto and including the year ended 31 December 2012. The Company has received restricted certificate from the Department of Zakat and Income Tax (DZIT) for the years ended 31 December 2011 and 2012. The income tax and zakat declaration of the Company for the year ended 31 December 2013 will be due for filing on 30 April 2014.

**Alkhair Capital Saudi Arabia Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2013  
(Saudi Arabian Riyals)

**12. EMPLOYEES' END OF SERVICE BENEFITS**

	<u>2013</u>	<u>2012</u>
Balance at beginning of the year	1,608,734	922,296
Charge for the year	454,191	911,165
Payments during the year	<u>(979,752)</u>	<u>(224,727)</u>
Balance at end of the year	<u>1,083,173</u>	<u>1,608,734</u>

**13. SHARE CAPITAL**

The share capital of the Company is SR 300 million divided into 30 million shares of SR 10 each.

**14. OTHER GENERAL AND ADMINISTRATION EXPENSES**

	<u>2013</u>	<u>2012</u>
Travel and advertising	355,629	1,602,160
Professional and consulting fees	143,279	1,143,274
Repair and maintenance	598,144	911,590
Legal expenses	--	842,151
Membership and subscription	683,254	536,027
Telecommunication	478,467	513,452
Others	<u>987,807</u>	<u>580,730</u>
	<u>3,246,580</u>	<u>6,129,384</u>

**15. OPERATING LOSS / NET LOSS PER SHARE**

Operating loss per share is calculated by dividing loss from operations for the year ended 31 December 2013 and 2012 by the weighted average number of issued and paid-up ordinary shares outstanding during the year.

Net loss per share is calculated by dividing net profit for the year ended 31 December 2013 and 2012 by the weighted average number of issued and paid-up ordinary shares outstanding during the year.

**16. INCOME FROM ASSETS HELD UNDER FIDUCIARY CAPACITY**

Pursuant to CMA's Authorized Persons Regulations requiring Client money segregation, the Company holds Clients' money in Omnibus accounts at a local bank and with its Parent to carry out its dealing, managing and custody activities. As at 31 December 2013, the clients' cash accounts held by the Company amounted to SAR 392 million (2012: SAR Nil). Consistent with the accounting policy mentioned in note 3(p), such balances are not included in the Company's financial statements as these are held by the Company in fiduciary capacity.

**17. ADVISORY FEE INCOME**

It comprise of fee earned on advising the clients on sukuk issuance and other services.

**Alkhair Capital Saudi Arabia Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2013

**18. FINANCIAL INSTRUMENTS**

Financial instruments carried on the balance sheet include cash and cash equivalents, account receivables, money market placements and due to related party. These financial instruments are subject to following risks.

***Credit risk***

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. Cash and cash equivalents are placed with a local bank with sound credit ratings. The Money market placements are held with the Parent Company as Wakeel that has placed the funds in short term Murabaha deposits with financial institution of sound reputation. Therefore, the credit risk is limited.

***Currency risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyal and United States Dollar. As the two currencies are pegged the Company is not exposed to significant currency risk.

***Liquidity risk***

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet - commitments associated with financial instruments. The Company's current assets are substantially higher than its current liabilities at reporting date. The financial assets are highly liquid based on which management believes that they are not exposed to any significant liquidity risk.

***Fair value***

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. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

**19. COMPARATIVE FIGURES**

The comparative figures for the previous year have been reclassified, where necessary, in order to conform to the current year's presentation. However, such reclassification does not have any material effect on overall presentation of financial statements.

**20. DATE OF AUTHORIZATION**

These consolidated financial statements were authorized for issue by the Directors of the Company on 27 February 2014.