SHARI'AH REVIEW REPORT

Shariyah Review Bureau
دار المراجعة الشرعية

AKC-AD-06-02-15

بسم الله الرحمن الرحيم

Shari'a Advisor's Report to the Shareholders of Alkhabeer Capital

Praise be to Allah, Lord of the worlds, and peace and blessings be upon Mohammed, the leader of Prophets and Messengers, and upon his family and companions, and upon those who follow his Guidance Until the Day of Judgment.

It is our pleasure to present you the Shari'a Advisor's Report for Al-Khabeer Capital (hereinafter 'Company').

In compliance with the letter of appointment we the undersigned have reviewed the Company's businesses & activities for the period from 1st of January 2014 to 31st December 2014.

We have reviewed all transactions, investment and pertinent documentation adopted by the Company. Our review was conducted to form an opinion as to whether the Company has complied with Shari'a rules and principles and also with the directives and guidelines issued by AAOIFI. We planned and performed our review so as obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company has not violated Shari'a rules and Principles.

The prime responsibility for ensuring compliance with Shari'a standards and rules in all activities and business operations lie with the Company management. It is our responsibility to present an independent opinion of the Company's operations and to communicate it to the shareholders.

In our opinion the reviewed transaction, related documentation & processes, business activities and dealings entered into by the Company during the year ended 31st December 2014 are in compliance with the Islamic Shari'a Rules and Principles.

May Allah bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

On behalf of Shariyah Review Bureau W.L.L.
11 /02/ 2015

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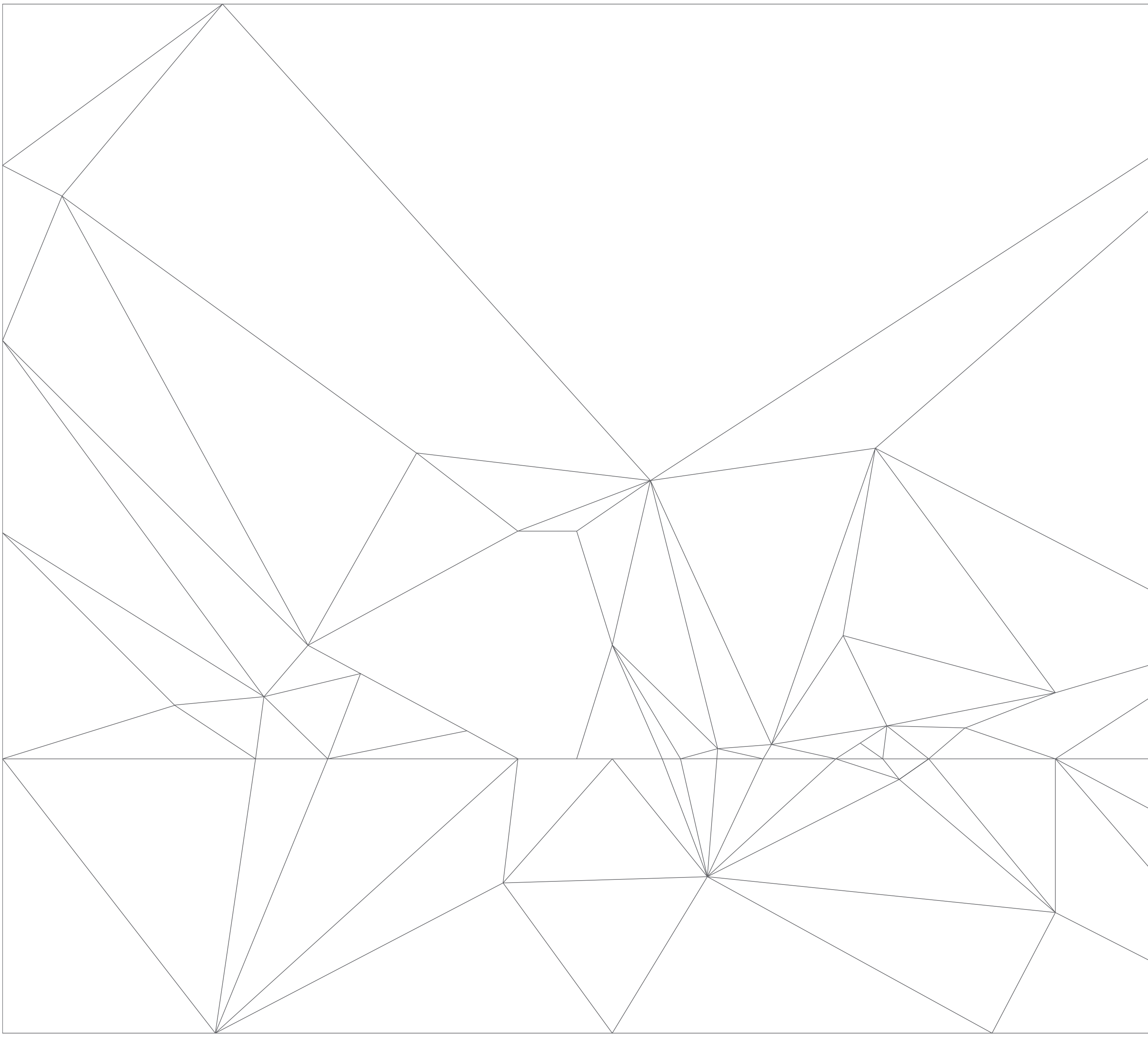
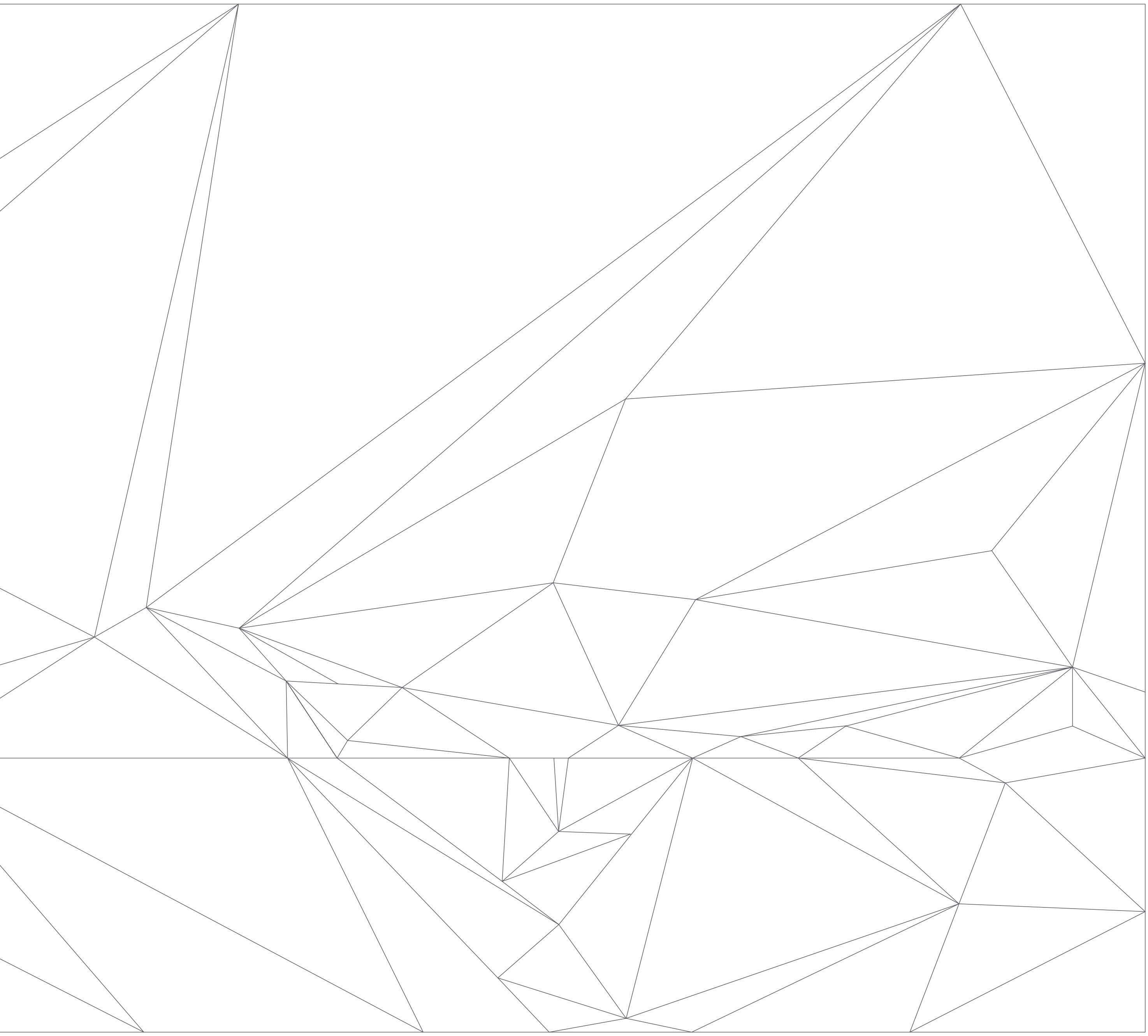
مملكة البحرين



CONSOLIDATED FINANCIAL STATEMENTS



AUDITORS' REPORT

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Building a better working world

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AUDITORS' REPORT TO THE SHAREHOLDERS OF ALKHABEER CAPITAL
(A Saudi Closed Joint Stock Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of AlKhabeer Capital - a Saudi Closed Joint Stock Company ("the Company") and its subsidiary ("the Group") as at 31 December 2014 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Company's Board of Directors 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 consolidated 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 consolidated financial statements.

Unqualified opinion

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

i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014 and the consolidated 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 consolidated financial statements.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

ERNST & YOUNG

3 Jumada Al-Ula 1436 H
22 February 2015

Jeddah

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CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	2014 SR '000	2013 SR '000
ASSETS			
CURRENT ASSETS			
Cash and bank balances	3	**153,750**	74,366
Accounts receivable and prepayments	4	**22,059**	44,567
Investments held for trading	5	**708,946**	671,505
Due from related parties	6	**30,482**	45,806
TOTAL CURRENT ASSETS		**915,237**	836,244
NON-CURRENT ASSETS			
Zakat and income tax due from shareholders		**4,103**	17,191
Property and equipment	7	**20,872**	19,608
TOTAL NON-CURRENT ASSETS		**24,975**	36,799
TOTAL ASSETS		**940,212**	873,043
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Due to a related party	6	**18,000**	-
Accrued expenses and other liabilities	8	**36,256**	15,926
Provision for zakat and income tax	9	**4,119**	4,023
TOTAL CURRENT LIABILITIES		**58,375**	19,949
NON-CURRENT LIABILITY			
Employees' terminal benefits		**8,157**	6,682
TOTAL LIABILITIES		**66,532**	26,631
SHAREHOLDERS' EQUITY			
Share capital	10	**813,203**	813,203
Statutory reserve	12	**10,105**	4,375
Transaction costs on issue of share capital	10	**-**	(10,623)
Retained earnings		**50,289**	39,374
Foreign currency translation reserve		**83**	83
TOTAL SHAREHOLDERS' EQUITY		**873,680**	846,412
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**940,212**	873,043

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 SR '000	2013 SR '000
Fee income	13	**44,100**	32,087
Unrealized gains on trading investments	5	**29,936**	28,044
Realized gains on trading investments	5	**79,256**	60,243
Dividend income		**4,238**	5,310
Income from Murabaha deposits		**650**	19
TOTAL OPERATING INCOME		**158,180**	125,703
OPERATING EXPENSES			
Selling and marketing	14	**(11,838)**	(11,362)
General and administration	15	**(89,040)**	(71,825)
TOTAL OPERATING EXPENSES		**(100,878)**	(83,187)
NET OPERATING INCOME		**57,302**	42,516
Other income		**-**	800
NET INCOME FOR THE YEAR		**57,302**	43,316
EARNINGS PER SHARE			
Weighted number of outstanding shares (in thousands)	10	**81,320**	81,320
Attributable to net operating income (in SR)	16	**0.70**	0.52
Attributable to net income (in SR)	16	**0.70**	0.53

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 SR '000	2013 SR '000
OPERATING ACTIVITIES			
Net income for the year		**57,302**	43,316
Adjustments for:			
Unrealized gains on investments	5	**(29,936)**	(28,044)
Realized gains on investments	5	**(79,256)**	(60,243)
Dividend income		**(4,238)**	(5,310)
Depreciation	7	**2,283**	2,612
Provision for employees' terminal benefits		**2,444**	2,378
Provision for doubtful debts	4	**822**	3,442
Loss on disposal of property and equipment		**-**	5
Operating loss before changes in operating assets and liabilities		**(50,579)**	(41,844)
Changes in operating assets and liabilities			
Accounts receivable and prepayments		**21,686**	(36,545)
Due from related parties		**15,324**	(5,650)
Purchase of investments held for trading	5	**(705,829)**	(415,833)
Proceeds from disposal of investments held for trading	5	**795,580**	393,673
Dividends received		**4,238**	7,657
Accrued expenses and other liabilities		**20,330**	9,142
Cash from /(used in) operations		**100,750**	(89,400)
Employees' terminal benefits paid		**(969)**	(956)
Zakat and income tax paid	9	**(4,007)**	(3,943)
Net cash from/(used in) operating activities		**95,774**	(94,299)
INVESTING ACTIVITIES			
Purchase of property and equipment	7	**(3,547)**	(1,432)
Proceeds from disposal of property and equipment		**-**	3
Net cash used in investing activities		**(3,547)**	(1,429)
FINANCING ACTIVITIES			
Dividends paid	11	**(12,843)**	-
Net cash used in financing activities		**(12,843)**	-
Net increase / (decrease) in cash and cash equivalents		**79,384**	(95,728)
Net foreign exchange difference		**-**	(1)
Cash and cash equivalents at the beginning of the year	3	**74,366**	170,095
Cash and cash equivalents at the end of the year	3	**153,750**	74,366
NON CASH SUPPLEMENTARY INFORMATION			
Subscription of units of a fund, not yet paid	6	**18,000**	-
In-kind investment in a fund	6	**440,832**	128,300

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Share capital SR '000	Statutory reserve SR '000	Transaction costs on issue of share capital SR '000	Retained earnings SR '000	Foreign currency translation reserve SR '000	Total SR '000
BALANCE AT 31 DECEMBER 2012		813,203	43	(10,623)	390	84	803,097
Net income for the year		-	-	-	43,316	-	43,316
Transfer to statutory reserve	12	-	4,332	-	(4,332)	-	-
Zakat and income tax	9	-	-	-	(4,008)	-	(4,008)
Zakat and income tax reimbursable from shareholders	9	-	-	-	4,008	-	4,008
Foreign currency translation reserve of a subsidiary		-	-	-	-	(1)	(1)
BALANCE AT 31 DECEMBER 2013		813,203	4,375	(10,623)	39,374	83	846,412
Net income for the year		-	-	-	57,302	-	57,302
Transfer to statutory reserve	12	-	5,730	-	(5,730)	-	-
Zakat and income tax	9	-	-	-	(4,103)	-	(4,103)
Zakat and income tax reimbursable from shareholders	9	-	-	-	4,103	-	4,103
Zakat and income tax reimbursed by the shareholders	11	-	-	-	(17,191)	-	(17,191)
Transaction costs on issue of share capital		-	-	10,623	(10,623)	-	-
Dividend	11	-	-	-	(12,843)	-	(12,843)
BALANCE AT 31 DECEMBER 2014		813,203	10,105	-	50,289	83	873,680

1. ACTIVITIES

AlKhabeer Capital ("AKC", the "Company" or the "Parent company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030177445 dated 14 Rabi Awal 1429H (corresponding to 22 March 2008). The Commercial Registration of the Company was amended on 14 Shawal 1430H (corresponding to 5 October 2009) by virtue of which the name of the Company was amended from AlKhabeer Merchant Finance Corporation to AlKhabeer Capital.

The Commercial Registration of the Company was amended on 7 Shawal 1432H corresponding to 5 September 2011 by increasing the share capital from SR 424,933,820 (42,493,382 shares of SR 10 each) to SR 813,202,930 (81,320,293 shares of SR 10 each). The Company is owned 98.50% by Saudi shareholders and 1.50% by foreign shareholders (2013: same).

The Company is engaged in the following activities in accordance with the Capital Market Authority's Resolution no. H/T/919 dated 3 Rabi a' Thani 1429H (corresponding to 9 April 2008) and License No. 07074-37:

a) Arranging;
b) Managing;
c) Advising;
d) Custody;
e) Underwriting; and
f) Dealing as principal

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

AlKhabeer Capital
Al-Madina Road
P.O. Box 128289
Jeddah
Saudi Arabia

The Parent company and its subsidiary are collectively referred to as "the Group" in these consolidated financial statements. The Parent company has an investment in the following subsidiary:

AlKhabeer International Company B.S.C. (c)

Effective 15 December 2011 (corresponding to 20 Muharram 1433H), AKC acquired 99.99% ownership interest in AlKhabeer International Company B.S.C. (c) ("AKI" or the "Subsidiary"). The acquisition of AKI was settled through the issuance of shares of AKC amounting to SR 388.3 million. The legal formalities for transfer of shares were completed on 15 December 2011.

The acquisition of ownership interest by AKC in AKI was considered to be a business combination under common control and was accounted for using the pooling of interest method. As a result of such acquisition, the assets and liabilities of AKI were consolidated with AKC effective from the date of acquisition (i.e. 15 December 2011 (corresponding to 20 Muharram 1433H) at their carrying amounts.

Furthermore, the excess of consideration paid by AKC over AKI's net assets acquired as a result of the acquisition (goodwill) was reflected as a deduction in equity and no new goodwill was recognised as a separate asset in the consolidated balance sheet.

AKI was formed on 15 December 2008 in the Kingdom of Bahrain under Commercial Registration No. 70609-1 and operates under an investment business firm – category 1 (Islamic Principles) license issued by the Central Bank of Bahrain (CBB) on 10 November 2008.

AKI's activities are regulated by the CBB and supervised by a Shari'a Advisor whose role is defined in AKI's articles of association. The principal activities of AKI include providing advisory services to funds, managing discretionary portfolios as an agent, investing in products which comply with Islamic Shari'a rules and principles according to the opinion of AKI's Shari'a Advisor.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE
These consolidated financial statements comprise the financial statements of AKC and its subsidiary ("the Group"). These consolidated financial statements have been prepared in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

The following is a summary of significant accounting policies applied by the Group:

ACCOUNTING CONVENTION
The consolidated financial statements have been prepared under the historical cost convention modified to include the measurement of held for trading investments at fair value.

FUNCTIONAL AND PRESENTATION CURRENCY
These consolidated financial statements have been presented in Saudi Riyals (SR) which is the Company's functional currency. Financial information, presented in Saudi Riyals, has been rounded off to the nearest thousand.

BASIS OF CONSOLIDATION
These consolidated financial statements include assets, liabilities and the result of the operations of the Company and its subsidiary (see note 1). A subsidiary Company is that in which the Group has directly or indirectly, a long term investment comprising an interest of more than 50% in the voting capital or over which it exerts control. A subsidiary Company is consolidated from the date on which the Group obtains control until the date control ceases. The consolidated financial statements are prepared on the basis of the audited financial statements of the Company and its subsidiary. The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full on consolidation.

Where the control over the investee entity is temporary or where the investee entity would be liquidated in the near term, the investee entity is not consolidated in these financial statements.

The amount of non-controlling interest is immaterial to the consolidated financial statements and therefore not separately recognised in these consolidated financial statements.

USE OF ESTIMATES
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

CASH AND CASH EQUIVALENTS
For the purposes of the consolidated statement of cash flows, "cash and cash equivalents" consist of balances with bank, cash on hand, and placements with financial institutions, with original maturities of 90 days or less.

ACCOUNTS RECEIVABLE
Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

TRADE DATE ACCOUNTING
All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Group commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

INVESTMENTS

All investment securities are initially recognized at cost, being the fair value of the consideration given. The transaction charges related to investments held for trading are not added to the cost at initial recognition and are charged to the consolidated statement of income.

Investments classified as held for trading, which comprise investments in a short term discretionary portfolio and funds managed by the Group, are acquired principally for the purpose of selling or repurchasing in the short term. Securities which are held for trading are subsequently measured at fair value and any gain or loss arising from a change in fair value is included in the consolidated statement of income in the period in which it arises.

For securities that are traded in organised financial markets, the fair value is determined by reference to exchange quoted market bid prices at the close of the business on the reporting date.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the underlying Net Asset Value (NAV) of the funds which is reflective of the fair value of these securities.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Freehold land and capital work in progress are not depreciated. The cost less estimated residual value of other property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate 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/assets are depreciated on a straight-line basis over the shorter of the useful life of the improvement/assets or the term of the lease.

Expenditure for repairs and maintenance are charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalized. Gains or losses on sale or retirement of property and equipment are included in the consolidated statement of income.

IMPAIRMENT AND UNCOLLECTIBILITY OF FINANCIAL ASSETS

An assessment is made at each consolidated 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 recognised in the consolidated 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 consolidated 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 the carrying amount and the present value of future cash flows discounted at the original effective commission rate.

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

FINANCIAL ASSETS:

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from an asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

FINANCIAL LIABILITIES:

A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

OFFSETTING

Financial assets and financial liabilities are offset and reported net in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under accounting standards generally accepted in the Kingdom of Saudi Arabia, or for gains and losses arising from a group of similar transactions.

FIDUCIARY ASSETS

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group, and accordingly, are not included in the consolidated financial statements.

ACCRUED EXPENSES AND OTHER LIABILITIES

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

PROVISIONS

Provisions are recognised when the Group 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.

ZAKAT AND INCOME TAX

Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulations. The liability is charged to retained earnings. Accordingly, amounts reimbursable by the shareholders of such zakat and income tax are credited to retained earnings. Additional amounts, if any, that may become due on finalisation of an assessment are accounted for in the year in which the assessment is finalised.

As the shareholders have agreed that they will reimburse the Company for tax and zakat charges, no adjustments are made in the consolidated financial statements to account for the effects of deferred income taxes.

EMPLOYEES' TERMINAL BENEFITS

Provision is made for amounts payable under the Saudi Arabian and Bahrain labour laws applicable to employees' accumulated periods of service at the consolidated balance sheet date.

TRANSACTION COSTS

Transaction costs are incremental costs that are directly attributable to the issue of share capital. The transaction costs of equity transactions are accounted for as a deduction from equity.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income.

FOREIGN CURRENCY TRANSLATION

Financial statements of foreign operations are translated into Saudi Riyals using the exchange rate at each consolidated balance sheet date, for assets and liabilities, and the average exchange rate for each period for revenues, expenses, gains and losses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component of shareholders' equity.

REVENUE RECOGNITION

Fixed fees received under financial services agreements are non-refundable. These are initially recorded as unearned income and subsequently earned when the related milestones have been met or the agreement is terminated by the client.

Success fees are recognized when the related financing has been successfully raised for the client.

Management and custody fees are recognized on a time apportioned basis.

Finance income on Murabaha placements is recognised on a time apportioned basis.

Dividend income is recognised when the right to receive payment is established.

EXPENSES

Selling and distribution expenses are those that specifically relate to marketing expenditure. All other expenses are classified as general and administration expenses.

OPERATING SEGMENTS

A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Because the Group carries out its activities in in the Kingdom of Saudi Arabia and Kingdom of Bahrain, reporting is also provided geographically. The Group's primary format for segmental reporting is based on business segments. The business segments are determined based on Group's management and internal reporting structures.

3. CASH AND CASH EQUIVALENTS

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following at the date of the consolidated balance sheet.

	2014 SR '000	2013 SR '000
Cash at bank	**107,650**	74,366
Murabaha placements with a financial institution	**46,100**	-
	153,750	74,366

4. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014 SR '000	2013 SR '000
Commodity Murabaha receivable (see note 'a' below)	**6,010**	6,010
Accounts receivable, gross	**7,152**	6,487
Allowance for doubtful receivable (see note 'b' below)	**(10,986)**	(10,164)
Accounts receivable, net	**2,176**	2,333
Margin deposit (notes 9 and 22)	**10,357**	10,357
Advance for purchase of investment	**-**	25,000
Advances to suppliers	**4,782**	2,807
Prepayments	**2,505**	2,766
Other receivables	**2,239**	1,304
	22,059	44,567

a) The gross commodity Murabaha receivable relates to AKI's placement with Arcapita Bank B.S.C. (the 'Bank') which matured on 26 March 2012.

Arcapita (the 'Bank') filed a plan of reorganization in 2013, which was approved by the Bank's creditors and the US Bankruptcy Court on 11 June 2013 and the Bank officially emerged from chapter 11 on 17 September 2013. Pursuant to the plan of reorganization, the assets of the Bank were transferred to RA Holding Corp, a newly formed Cayman Islands Company, which was formed to hold these assets on behalf of certain creditors of the Bank. RA Holding issued debt and equity instruments to these creditors based on the pro-rata share of their claims.

AKI has sought payment of this amount and filed to include itself in the Bank's list of liabilities at an amount of USD 1.59 million (i.e. SR. 5.98 million). During the year ended 31 December 2013, AKI received intimation that the expected amount it will receive is 7.7% of the commodity Murabaha receivable and consequently decided to recognise an impairment loss of SR 5.53 million.

b) As at 31 December 2014, accounts receivable amounting to SR 10.99 million (2013: SR 10.16 million) were impaired. Movements in the allowance for impairment of receivables were as follows;

	2014 SR '000	2013 SR '000
At 1 January	**10,164**	6,767
Charge for the year (note 14)	**822**	3,442
Amounts written off	**-**	(45)
At 31 December	**10,986**	10,164

As at 31 December 2014 and 31 December 2013, all the unimpaired accounts receivable balances were past due for more than 120 days.

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

5. INVESTMENTS HELD FOR TRADING

	2014 SR '000	2013 SR '000
Investments in funds managed by AKC (see note 'a' below)	**701,326**	520,127
Quoted shares	**-**	4,786
Externally managed funds	**7,620**	-
Other (see note 'b' below)	**-**	146,592
	708,946	671,505

The movement in the investments held for trading, during the year ended 31 December is as follows:

	2014 SR '000	2013 SR '000
At 1 January	**671,505**	561,058
Additions during the year	**1,164,661**	544,133
Sold during the year	**(1,236,412)**	(521,973)
Unrealised gains	**29,936**	28,044
Realised gains	**79,256**	60,243
At 31 December	**708,946**	671,505

a) The valuation of the investment in funds managed by AKC is according to Net Asset Valuations (NAV) obtained from the fund managers based on the audited financial statements or recent market transactions of the units of the respective funds, and the unrealised gain or loss is credited or charged to the consolidated statement of income.

b) This represented the advance paid for an investment in a fund to be launched by the Company. During the year, the fund was launched, accordingly, the amount was transferred to "investments in funds managed by AKC" category, under the "investments held for trading".

The unit holdings of AKC and AKI as of 31 December 2014 and 31 December 2013, in the funds managed by AKC is as follows (see note below):

Name of Fund	2014			2013		
	AKC	AKI	Group	AKC	AKI	Group
Alkhabeer Land Development Fund I	-	-	-	%59	%41	%100
Alkhabeer Real Estate Fund I	**%18**	-	**%18**	%1	-	%1
Alkhabeer Real Estate Fund II	**%100**	-	**%100**	%100	-	%100
Alkhabeer Global Commodity Fund	-	-	-	%100	-	%100
Alkhabeer GCC Equity Fund	**%85**	-	**%85**	%100	-	%100
Alkhabeer US Real Estate Income Fund	**%12**	**%26**	**%38**	-	-	-
Alkhabeer Industrial Private Equity Fund I	-	-	-	%9	%16	%25
Alkhabeer Industrial Private Equity Fund II	**%22**	**%43**	**%65**	%21	%69	%90
Alkhabeer Liquidity Fund HASSEEN	-	**%8**	**%8**	-	%15	%15
Alkhabeer Saudi Equity Fund	**%79**	-	**%79**	%100	-	%100
Alkhabeer Healthcare Private Equity Fund	**%21**	**%79**	**%100**	-	-	-
Alkhabeer SME Fund I	**%50**	**%50**	**%100**	-	-	-
Alkhabeer Real Estate Opportunity Fund I	**%10**	**%10**	**%20**	-	-	-
Alkhabeer Real Estate Residential Development Fund II	**%43**	**%43**	**%86**	-	-	-

Since the Group's control over the funds is temporary and the investment in the funds would be liquidated in the near term, the funds are not consolidated in these financial statements.

6. RELATED PARTY TRANSACTIONS AND BALANCES

Significant related party transactions during the year and balances arising therefrom are described below:

Transactions with	Nature of transactions	Amount of transactions during the year		Balances at 31 December	
		2014 SR'000	2013 SR'000	2014 SR'000	2013 SR'000
Mutual funds managed by AKC	Investments acquired/disposed by the Group and realised/unrealised gain/loss thereon	**34,607**	132,596	**701,326**	666,719
	Management, custody and subscription fees reduced by payments received	**(9,599)**	31,184	**24,070**	33,669
	Expenses	**5,075**	1,337	**6,412**	1,337
	Sale of equity investments in companies and land investments (as a sale consideration units were acquired in a mutual fund holding those investments)	**440,832**	128,300	**-**	10,800
	Gain on the above transactions	**69,000**	19,749	**-**	-
	Due from related parties			**30,482**	45,806
	Subscription of units of a fund, not yet paid	**18,000**	-	**18,000**	-
	Due to a related party			**18,000**	-

REMUNERATION OF KEY MANAGEMENT

Key management personnel including members of the Boards of Directors of the Company and its subsidiary comprise key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation is as follows:

	2014 SR '000	2013 SR '000
Salaries and other short term benefits	**17,123**	13,896
Post employment benefits	**685**	732
	17,808	14,628

7. PROPERTY AND EQUIPMENT

The estimated useful lives of the principal classes of assets are as follows:

	Years		Years
Building	25	Furniture and fixtures	4
Leasehold improvements	4-2	Vehicles	5
Office and computer equipment	5-3		

	Land SR '000	Building SR '000	Leasehold improvements SR '000	Office and computer equipment SR '000	Furniture and fixtures SR '000	Vehicles SR '000	Capital work in progress (see note 'a' below) SR '000	Total 2014 SR '000	Total 2013 SR '000
Cost									
At the beginning of the year	6,966	14,234	3,907	10,543	1,101	266	-	**37,017**	35,617
Additions	-	-	3	2,404	12	100	1,028	**3,547**	1,432
Disposals	-	-	-	(62)	-	-	-	**(62)**	(32)
At the end of the year	6,966	14,234	3,910	12,885	1,113	366	1,028	**40,502**	37,017
ACCUMULATED DEPRECIATION									
At the beginning of the year	-	4,324	3,722	8,226	1,000	137	-	**17,409**	14,821
Depreciation (note 15)	-	468	71	1,650	42	52	-	**2,283**	2,612
Relating to disposals	-	-	-	(62)			-	**(62)**	(24)
At the end of the year	-	4,792	3,793	9,814	1,042	189	-	**19,630**	17,409
Net book amounts									
At 31 December 2014	**6,966**	**9,442**	**117**	**3,071**	**71**	**177**	**1,028**	**20,872**	
At 31 December 2013	6,966	9,910	185	2,317	101	129	-		19,608

a) Capital work in progress principally relates to leasehold improvements under progress and will be transferred to the relevant category upon the completion of work.

8. ACCRUED EXPENSES AND OTHER LIABILITIES

	2014 SR '000	2013 SR '000
Payable for services	**12,074**	7,423
Accrued expenses and other payables	**24,182**	8,503
	36,256	15,926

9. ZAKAT AND INCOME TAX

Charge for the year	2014 SR '000	2013 SR '000
Zakat	**3,918**	3,872
Income tax	**185**	136
	4,103	4,008

ZAKAT

The provision is based on the following:

	2014 SR '000	2013 SR '000
Equity	**805,314**	801,438
Provisions and other adjustments	**11,097**	8,625
Book value of long term assets	**(720,275)**	(701,117)
	96,136	108,946
Saudi shareholders' share of adjusted income for the year	**60,579**	45,949
Zakat base	**156,715**	154,895

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with relevant fiscal regulations.

MOVEMENT IN PROVISION DURING THE YEAR

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

	2014 SR '000	2013 SR '000
At 1 January	**3,887**	3,880
Charge for the year	**3,918**	3,872
Paid during the year	**(3,871)**	(3,865)
At 31 December	**3,934**	3,887

INCOME TAX

Income tax charges for the years ended 31 December 2014 and 31 December 2013 are based on the adjusted taxable income calculated on the portion of equity owned by the foreign shareholder. The significant tax adjustments made to accounting net income relate to depreciation, employees' termination benefits and provision against doubtful receivables.

MOVEMENT IN PROVISION DURING THE YEAR

The movement in income tax provision for the year was as follows:

	2014 SR '000	2013 SR '000
At 1 January	**136**	78
Charge for the year	**185**	136
Paid during the year	**(136)**	(78)
At 31 December	**185**	136

STATUS OF ASSESSMENTS

In prior years, the Parent company received an assessment relating to the return filed for the period ended 31 December 2008 with an additional liability of SR 10.357 million and filed an appeal against this assessment. During the year ended 31 December 2013, the Preliminary Appeal Committee (PAC) rendered its decision upholding DZIT's treatment. The Parent company has filed an appeal with Higher Appeal Committee (HAC) against PAC's decision in this regard and lodged a bank guarantee for the disputed liability, amounting to SR 10.357 million (see notes 4 and 22).

The Parent company also received an assessment for the year 2009 with an additional liability of SR 3.585 million and filed an appeal with PAC against DZIT's assessment.

Management of the Parent company is confident of favourable outcomes of the appeals and as such no provision has been made in respect of these additional amounts in these consolidated financial statements.

Assessments for the years ended 31 December 2010 through 31 December 2013 have not yet been raised.

10. SHARE CAPITAL

The share capital of the Company, amounting to SR 813,202,930, is divided into 81,320,293 shares of SR 10 each (2013: same).

During 2010, AKC raised its share capital from SR 424.9 million to SR 813.2 million through the issue of an additional 38,826,911 shares with a par value of SR 10 per share. The legal formalities in respect of this increase in share capital were completed during 2011.

Transaction costs on raising share capital of SR 424.9 million in 2008, amounted to SR 10.6 million. This amount was included in the consolidated statement of changes in shareholders' equity under a separate caption. During the year ended 31 December 2014, the transaction costs have been set off against the dividend payable (see note 11).

Transaction costs of AKI on raising capital of AKI in 2008 amounted to SR 10.6 million. This was included in the consolidated statement of changes in shareholders' equity under retained earnings.

11. DIVIDEND

The Board of Directors proposed a dividend of SR 0.50 per share, totalling SR 40.66 million, representing 5% of share capital of the Company. The dividend was approved by the shareholders in the general assembly meeting.

Net proceeds of SR 12.84 million were distributed to the shareholders, after deducting zakat and income tax due from shareholders amounting to SR 17.19 million and transaction costs (that arose on the issue of initial share capital of the Company), amounting to SR 10.62 million (see note 10).

12. STATUTORY RESERVE

In accordance with the Regulations for Companies, a minimum of 10% of the annual net income (after deducting brought forward losses) is required to be transferred to the statutory reserve until this reserve equals 50% of the paid up capital of the Company. This reserve is not available for distribution.

13. FEE INCOME

	2014 SR '000	2013 SR '000
Advisory fees	**1,015**	903
Management, custody and subscription fees	**43,085**	31,184
	44,100	32,087

14. SELLING AND MARKETING EXPENSES

	2014 SR '000	2013 SR '000
Salaries and benefits	**5,700**	5,463
Sales incentives	**2,765**	1,440
Provision for doubtful receivables (note 4)	**822**	3,442
Other	**2,551**	1,017
	11,838	11,362

15. GENERAL AND ADMINISTRATION EXPENSES

	2014 SR '000	2013 SR '000
Salaries and benefits	**60,543**	50,707
Rent and premises related expenses	**1,562**	627
Depreciation (note 7)	**2,283**	2,612
Business travel	**3,540**	3,299
Legal and consultancy	**12,144**	7,577
Communication	**2,700**	2,211
Office supplies	**608**	518
Utilities	**628**	449
Insurance	**356**	403
Other	**4,676**	3,422
	89,040	71,825

16. EARNINGS PER SHARE

Earnings per share on net operating income is calculated by dividing net operating income by the weighted average number of shares in issue during the year.

Earnings per share on net income is calculated by dividing net income by the weighted average number of shares in issue during the year.

17. RISK MANAGEMENT

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

COMMISSION RATE RISK

Commission rate risk arises from the possibility that changes in special commission rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to commission rate risk as its special commission bearing assets carry fixed rates.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group is exposed to credit risk on its bank balances, Murabaha placements with a financial institution, accounts receivable and due from related parties.

The Group seeks to limit credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. For all classes of financial assets held by the Group, the maximum exposure to credit risk to the Group is the carrying value as disclosed in the consolidated balance sheet.

LIQUIDITY RISK

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with its financial liabilities.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

All of the Group's financial liabilities at 31 December 2014 and 31 December 2013 are payable within 12 months of the consolidated balance sheet date.

MARKET RISK

Market risk is the risk that changes in market prices, rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

HELD FOR TRADING INVESTMENTS

Funds managed by the Group, discretionary portfolio, externally managed funds and other investments.

The Group's investment in funds managed by the Group, its discretionary portfolio, externally managed funds, and other investments as at 31 December 2014 and 31 December 2013, of SR 708.95 million and SR 520.13 million, respectively, has been classified as held for trading. The market risks on these investments are monitored on an individual basis. A 10% (2013: 10%) change in the fund's net asset values will increase or decrease the Group's net income by SR 70.89 million (2013: SR 52.01 million).

EQUITY PRICE RISK

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and the value of individual stocks. The Group is not exposed to equity price risk as at 31 December 2014 (2013: SR 4.8 million) as it does not hold any investments in quoted shares.

CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, Bahraini Dinars and US Dollars, accordingly the Group is not exposed to significant foreign exchange risk. Both the Saudi Riyal and Bahraini Dinar are pegged to the US Dollar.

18. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

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

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

The details of the minimum capital requirement and capital base are as follows:

	2014 SR '000	2013 SR '000
CAPITAL BASE		
Tier1- Capital	**873,597**	785,822
Tier2- Capital	**83**	83
TOTAL CAPITAL BASE	**873,680**	785,905
MINIMUM CAPITAL REQUIREMENT		
Credit Risk	**88,972**	137,377
Market Risk	**117,463**	84,567
Operational Risk	**20,437**	19,073
TOTAL MINIMUM CAPITAL REQUIRED	**226,872**	241,017
CAPITAL ADEQUACY RATIO		
Total capital ratio (time)	**3.85**	3.26
SURPLUS IN CAPITAL	**646,808**	544,888

19. SEGMENTAL INFORMATION

Consistent with the Group's internal reporting process, business segments have been approved by the Company's Board of Directors in respect of the Group's activities. Transactions between the business segments are reported at arm's length.

The Group develops, structures and executes solutions that help clients achieve their objective by optimizing the way they access and allocate capital. The Group comprises the following main business segments.

CAPITAL MANAGEMENT:
Capital Management segment utilizes the Group's consolidated balance sheet capabilities and aims to originate profitable transactions by either directly investing in products of other financial institutions or via co-investing with valued clients in the Group's products and/or mutual funds.

ASSET MANAGEMENT:
Asset Management segment provides investment opportunities through a large and growing portfolio of public and private funds in the areas of real estate and capital markets. Discretionary fund and portfolio management services are also provided. Asset Management segment delivers investment management solutions for institutions and high net worth individuals through mutual funds.

OTHERS
Others include advisory, arranging, underwriting and infrastructure.

The Group's operating income and net operating income by business segment and geographical segment, are as follows:

Business Segments	Capital Management SR '000	Asset Management SR '000	Others SR '000	Total SR '000
Year ended 31 December 2014				
Operating income	112,671	41,893	3,616	158,180
Net operating income	104,752	20,441	(67,891)	57,302
Year ended 31 December 2013				
Operating income	91,978	31,812	1,913	125,703
Net operating income	84,921	15,230	(57,635)	42,516

The operations of AKC and AKI are carried out in the Kingdom of Saudi Arabia and Kingdom of Bahrain, respectively.

Geographical Segments	Kingdom of Saudi Arabia SR '000	Kingdom of Bahrain SR '000	Total SR '000
Year ended 31 December 2014			
Operating income	**96,448**	**61,732**	**158,180**
Net operating income	**2,424**	**54,878**	**57,302**
Year ended 31 December 2013			
Operating income	86,336	39,367	125,703
Net operating income	13,051	29,465	42,516

20. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of cash and cash equivalents, accounts receivable, investments held for trading, due from related parties and financial liabilities consist of payables and due to a related party. The fair values of financial instruments are not materially different from their carrying values.

The fair values of investments in funds managed by the Group is obtained from net asset values disclosed in the audited financial statements of those funds, net asset values provided by the external fund managers or recent sales transactions. In real estate funds, the fair value of underlying real estate investments is based on the lower evaluation of two independent evaluators as per the private placement memorandum of those funds.

21. ASSETS HELD UNDER FIDUCIARY CAPACITY

The Group holds assets on behalf of its customers. As the Group acts in a fiduciary capacity, these assets are not included in the consolidated balance sheet. As at 31 December 2014, the Group holds assets under management amounting to SR 2,588 million (2013: SR 1,805 million) on behalf of, and for the beneficial interest of, its customers.

Legal title of the underlying assets of AKC's managed funds are held by AKC through certain special purpose vehicles, on behalf of the funds. Since, AKC has ownership interest in these special purpose vehicles in trust, the financial information and related share of results of these entities are not included in these consolidated financial statements.

22. CONTINGENCIES AND CAPITAL COMMITMENTS

a) Certain legal claims have been filed by the third parties against the Parent company in the normal course of business. The Group's management expects a favourable outcome of these claims and as such no provision has been made in these consolidated financial statements in respect of these claims.

b) The Parent company has maintained a margin of SR 10.357 million with a local bank in respect of a guarantee issued in favour of DZIT (notes 4 and 9).

c) The Board of Directors has authorised future capital expenditure, amounting to SR 14.9 million (2013: SR 11.7 million) in connection with leasehold improvements under progress.

23. OPERATING LEASES

As at 31 December, the Group has future minimum lease payments under operating leases due as follows:

	2014 **SR '000**	**2013** **SR '000**
Within one year	**450**	450
From 1 to 5 years	**4,500**	4,050
Over 5 years	**8,700**	9,600
	13,650	14,100

24. KEY SOURCES OF ESTIMATION UNCERTAINTY

IMPAIRMENT OF ACCOUNTS RECEIVABLE

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis according to the length of time past due. Further the Group also takes into account legal advice for determining the allowance for doubtful debts for individually significant amounts which involve legal cases filed by the Group, and in case a higher estimated provision is required based on legal advice, the Group records the higher provision.

Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due.

At the consolidated balance sheet date, gross accounts receivable were SR 13.2 million (2014: SR 12.5 million), and the provision for doubtful debts was SR 11 million (2013: SR 10.2 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income of those periods.

25. BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were approved by the Board of Directors on 3 Jumada Al-Ula 1436H (corresponding to 22 February 2015).

26. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform with the presentation in the current year. However, there is no impact of the reclassification on the consolidated statement of income or consolidated statement of changes in shareholder's equity.

PILLAR III DISCLOSURES

In accordance with CMA requirement, Alkhabeer has prepared "Pillar III Disclosures Report" for 2014 which was approved by the Board of Directors. Copy of the report is published on Alkhabeer website.