

**MALAZ CAPITAL COMPANY**  
(A CLOSED JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS AND AUDITORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**Malaz Capital Company**  
(A Closed Joint Stock Company)  
**Financial statements and auditors' report**  
**For the year ended 31 December 2014**

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## INDEPENDENT AUDITOR'S REPORT

**The Shareholders**  
**Malaz Capital**  
**(A Saudi Closed Joint Stock Company)**  
**Riyadh, Kingdom of Saudi Arabia**

We have audited the accompanying financial statements of **Malaz Capital – A Saudi Closed Joint Stock Company** (the Company) which comprise the balance sheet as at 31 December 2014 and the related statements of income, cash flows and changes in equity for the year the ended and the attached notes 1 through 23 which form an integral part of the financial statements.

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

Management is responsible for the preparation and fair presentation of these 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 for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements

### *Auditor's responsibility*

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements taken as a whole:

- 1) present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and
- 2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association and its bylaws with respect to the preparation and presentation of financial statements.

**For KPMG Al Fozan & Al Sadhan**

Khalil Ibrahim Al Sedais  
License No: 371



Riyadh on: 10 Jumada'I 1436H  
Corresponding to: 1 March 2015

**Malaz Capital Company**  
(A Closed Joint Stock Company)  
**Balance Sheet**  
**For the year ended 31 December 2014**  
*(Amount in Saudi Riyals)*

	<i>Note</i>	<b>2014</b>	<b>2013</b>
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	4	24,494,865	9,109,941
Short-term deposits		--	4,329,000
Receivable from customers	5	--	15,049,408
Due from a related party	6	5,833,667	5,763,667
Short term loan to an associated company	9	2,374,838	--
Prepayments and other current assets	7	1,153,070	938,678
<b>Total current assets</b>		<b>33,856,440</b>	<b>35,190,694</b>
<b>Non-current assets</b>			
Available for sale investments	8	17,272,909	17,433,682
Loan to an associated company	9	3,612,441	3,612,441
Property and equipment, net	11	2,800,047	895,316
Pre-operating expenses		--	326,259
<b>Total non-current assets</b>		<b>23,685,397</b>	<b>22,267,698</b>
<b>Total assets</b>		<b>57,541,837</b>	<b>57,458,392</b>
<b><u>LIABILITIES AND SHAREHOLDER'S EQUITY</u></b>			
<b>Current liabilities</b>			
Provision against losses of an associate	10	4,463,045	1,238,265
Accrued expenses and other current liabilities	12	2,689,172	4,536,028
Trade payables		170,683	258,866
Deferred revenue	13	2,023,857	-
Accrued zakat	14	823,159	1,917,866
<b>Total current liabilities</b>		<b>10,169,916</b>	<b>7,951,025</b>
<b>Non-current liabilities</b>			
Employees' end-of-service benefits		1,176,416	776,533
<b>Total liabilities</b>		<b>11,346,332</b>	<b>8,727,558</b>
<b>Shareholders' equity</b>			
Share capital		60,000,000	60,000,000
Statutory reserve		349,161	--
Unrealized (loss)/ gain on available for sale investments	8	(2,778,353)	3,248,585
Accumulated losses		(11,375,303)	(14,517,751)
<b>Total shareholders' equity</b>		<b>46,195,505</b>	<b>48,730,834</b>
<b>Total liabilities and shareholders' equity</b>		<b>57,541,837</b>	<b>57,458,392</b>

The accompanying notes form an integral part of these financial statements

**Malaz Capital Company**  
(A Closed Joint Stock Company)  
**Statement of Income**  
**For the year ended 31 December 2014**  
*(Amount in Saudi Riyals)*

	<i>Note</i>	<b>2014</b>	<b>2013</b>
Management fee income	15	<b>16,246,248</b>	2,639,871
Structuring fees		--	15,000,000
Administrative and custody fee		<b>1,821,111</b>	368,441
Advisory fee		<b>132,787</b>	--
Arrangement and support fee		<b>988,274</b>	--
		<b>19,188,420</b>	18,008,312
General and administrative expenses	16	<b>(19,459,584)</b>	(14,464,934)
Share of loss in equity accounted investees		<b>(3,224,780)</b>	(405,002)
<b>Operating (loss)/ income</b>		<b>(3,495,944)</b>	3,138,376
Interest income		--	389,649
Realized gain on sale of available for sale investments, net	8	<b>7,082,199</b>	594,519
Dividend income		<b>713,012</b>	874,157
Other expense		<b>(46,384)</b>	--
<b>Net income before zakat</b>		<b>4,252,883</b>	4,996,701
Zakat	14	<b>(761,273)</b>	(885,499)
<b>Net income for the year</b>		<b>3,491,610</b>	4,111,202
<b>(Loss) / earnings per share:</b>			
From operations		<b>(0.58)</b>	0.52
From Net income		<b>0.58</b>	0.69

The accompanying notes form an integral part of these financial statements



**Malaz Capital Company**  
(A Closed Joint Stock Company)  
**Statement of Cash Flows**  
**For the year ended 31 December 2014**  
*(Amount in Saudi Riyals)*

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities</b>		
Net income for the year	3,491,610	4,111,202
<i>Adjustments to reconcile net income to net cash generated from operating activity:</i>		
Zakat	761,273	885,499
Amortization	326,258	652,516
Depreciation	627,000	337,305
Share of losses of equity accounted investees	3,224,780	405,002
Realized gain from sale of available for sale investments	(7,082,199)	(594,519)
Interest income	--	(389,649)
Loss on sale of property, plant and equipment, net	46,385	--
	<u>1,395,107</u>	<u>5,407,356</u>
<u>Changes in working capital:</u>		
Receivable from customers	15,049,408	(15,049,408)
Due from a related party	(70,000)	(196,896)
Short term loan to an associated company	(2,374,838)	-
Prepaid expenses and other assets	(214,392)	(157,299)
Accrued expenses and other liabilities	(1,846,856)	2,259,806
Trade payables	(88,183)	258,866
Provision against losses of an associate	3,224,780	1,238,265
Deferred revenue	2,023,857	--
Employees' end-of-service benefits	399,884	341,217
Zakat paid	(1,855,980)	--
	<u>15,642,786</u>	<u>(5,898,093)</u>
<b>Net cash generated from/ (used in) operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(2,578,116)	(667,254)
Proceeds from sale of property and equipment	--	--
Interest received	--	389,649
Short-term deposits	4,329,000	--
Loan to an associate	(3,224,780)	(1,238,265)
available for sale investments purchased	(22,663,022)	(14,933,297)
Proceeds from sale of available for sale investments	23,879,056	10,262,947
	<u>(257,862)</u>	<u>(6,186,220)</u>
<b>Net cash generated from/ (used in) investing activities</b>		
Net increase/ (decrease) in cash and cash equivalents	15,384,924	(12,084,313)
Cash and cash equivalents at beginning of the year	9,109,941	21,194,254
<b>Cash and cash equivalents at end of the year</b>	<u>24,494,865</u>	<u>9,109,941</u>
<b>Non-cash transactions:</b>		
Unrealized (loss)/ gain on available for sale investments (note 8)	<u>(2,778,353)</u>	<u>3,248,585</u>

The accompanying notes form an integral part of these financial statements

**Malaz Capital Company**  
(A Closed Joint Stock Company)  
**Statement of Changes in Shareholders' Equity**  
**For the year ended 31 December 2014**

	<i>Note</i>	Share capital	Statutory Reserve	Unrealized gain/ (loss) on available for sale investments	Retained earnings	Total
<b>Balance as at 1 January 2013</b>		<b>60,000,000</b>	--	<b>257,480</b>	<b>(18,628,954)</b>	<b>41,628,526</b>
Change in the fair value of available for sale investments		--	--	3,585,624	--	3,585,624
Transferred to the statement of income upon disposal of investments		--	--	(594,519)	--	(594,519)
Net income for the year		--	--	--	4,111,202	4,111,202
<b>Balance as at 31 December 2013</b>		<b>60,000,000</b>	--	<b>3,248,585</b>	<b>(14,517,752)</b>	<b>48,730,833</b>
Change in the fair value of available for sale investments	8	--	--	(6,026,938)	--	(6,026,938)
Net income for the year		--	--	--	3,491,610	3,491,610
Transfer to statutory reserve		--	349,161	--	(349,161)	--
<b>Balance as at 31 December 2014</b>		<b>60,000,000</b>	<b>349,161</b>	<b>(2,778,353)</b>	<b>(11,375,303)</b>	<b>46,195,505</b>

The accompanying notes form an integral part of these financial statements



**Malaz Capital Company**  
(A Closed Joint Stock Company)  
**Notes to the financial statements** (continued)  
**For the year ended 31 December 2014**

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Malaz Capital Company (the "Company") is a Saudi closed Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company registered in Riyadh on Rajab 21, 1430H (corresponding to July 14, 2009) under Commercial Registration No. 1010271323.

The shareholders in their meeting held on June 15, 2011 resolved to increase the share capital of the Company from SR 50 million to SR 60 million through injecting additional funds. The legal procedures pertaining to the increase in share capital and amendment of the Company's Articles of Association and Commercial Registration are completed on Rabi -Al Akhir 4, 1433 (corresponding to March 19, 2012).

The Company's share capital amounting to SR 60 million at December 31, 2014 consists of 6,000,000 fully paid shares of SR 10 each, and is distributed among the shareholders as follows:

<b>Shareholders</b>	<b>Ownership percentage</b>	<b>Number of shares</b>	<b>Share capital</b>
Abdulaziz Bin Abdullatif Bakr Jazzar	33.33%	2,000,000	20,000,000
Ahmad Bin Mohamad Salim Al Sari	16.67%	1,000,000	10,000,000
Nazer Group Holding Company	16.67%	1,000,000	10,000,000
Najah Advanced Technology Company	16.67%	1,000,000	10,000,000
Salah Rashid Abdulrahman Al Rashid	8.33%	500,000	5,000,000
Sara International for Operation	8.33%	500,000	5,000,000
<b>Total</b>	<b>100%</b>	<b>6,000,000</b>	<b>60,000,000</b>

The principal activities of the Company as per its Capital Market Authority (CMA) license No. 09136-36 dated Rabi Al-Thani 23, 1430 (corresponding to April 19, 2009) are to participate in financial security activities, perform management activities to establish and arrange investment funds, manage portfolios, perform advisory and custody services for the purposes of the administrative procedures related to the investment funds.

The Company has shareholding in certain special purpose entities (SPEs), primarily for the purpose of holding the legal title of investments which are beneficially owned by the mutual funds managed by the Company. The Company concludes that these entities cannot be consolidated to its financial statements as it could not establish control over these SPEs.

The SPEs are as follows:

- Second Malaz commercial company
- Third Malaz commercial company
- Malaz Sara
- Salwa Al Malaz

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

These accompanying financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

**(b) Basis of measurement**

The accompanying financial statements have been prepared on historical cost basis, except for available for sale investments, which are carried at fair value; using the accrual basis of accounting and the going concern concept.

**2. BASIS OF PREPARATION (continued)**

**(c) Functional and presentation currency**

These financial statements are presented in Saudi Riyals (SR), which is the functional and reporting currency of the Company.

**(d) Use of estimates and judgments**

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. Actual results may differ from these 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 accounting policies set out below have been applied consistently to all periods presented in the financial statements.

**(a) Revenue recognition**

- Fees charged for managing assets are recognized as revenue as the services are provided.
- Structuring fees are recognized upon subscription of the investor to the Fund.
- Advisory service fees are accrued on a time proportionate basis, as the services are rendered.
- Dividends from investments are recognized when earned or publicly declared by the investee.

**(b) Trade receivables**

Trade receivables are stated at original invoice amount less provisions made for amounts which in the opinion of the Management may not be recovered. Bad debts are written off when identified, against its related provisions.

**(c) Investments available for sale**

Available for sale investments principally consist of less than 20% share in quoted and unquoted equity investments including mutual fund investments, which are not held for trading purposes and where the Company does not have any significant influence or control. These are initially recognized and subsequently re-measured at fair value. Any changes in fair value are recognized in equity as fair value reserve until the investment is disposed. Any significant and prolonged decline in value of the available for sales investments, if any, is charged to the statement of income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date

**(d) Investment in an associate**

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investee) and are initially recognized at cost. The financial statements include the Company's share of income and expenses and equity movement of the equity accounted investees from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is accounted for as a liability to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate. The Company's share of profits or losses of the investee companies is credited or charged to the statement of income.

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

#### **(e) Property and equipment**

Property and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the income statement when incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of individual item of property, plant and equipment. The estimated useful lives of assets will be depreciated as follows:

	<b>Years</b>
Lease hold improvement	Shorter of lease term or economic life
Furniture and office equipment	4
Computers and software	3
Mobiles	3
Vehicles	4

#### **(f) Pre-operating expenses**

Pre-operating costs includes all costs and expenses incurred during the pre-operating stage and have the future economic benefits. These costs include lawyers, consultants and various fees relating to registering the Company, costs of the share certificates and expenditure to obtain licenses. Such costs are amortized using the straight-line method, over a period of 5 years.

#### **(g) End-of-service indemnities**

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the 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.

#### **(h) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Company without any restrictions.

#### **(i) Short-term deposits**

Short term deposits include placements with banks and other short-term highly liquid investments with original maturities of more than three months and less than one year from the placement date.

#### **(j) Trade payable and accruals**

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

#### **(k) Provisions**

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

Provision against onerous contracts are recognized when the cost of meeting the obligations under a contract are expected to exceed the economic benefits expected to be received under it. Such provisions are charged to cost of sales in the consolidated statement of income.

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

**(l) Operating lease**

Payment under operating lease is recognized in the statement of income on a straight-line basis over the term of the lease.

**(m) Foreign currency translation**

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

**(n) Zakat**

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

**(o) Contingent liabilities**

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Company; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at each balance sheet date and disclosed in the Company's financial statements under contingent liabilities.

**4. CASH AND CASH EQUIVALENTS**

	<u>2014</u>	<u>2013</u>
Cash in hand	21,450	8,500
Cash at banks	24,473,415	9,101,441
	<u>24,494,865</u>	<u>9,109,941</u>

**5. TRADE RECEIVABLES**

	<u>2014</u>	<u>2013</u>
Structuring fees receivable	--	15,000,000
Custody fees receivable	--	39,674
Management fee receivable	--	9,734
	<u>--</u>	<u>15,049,408</u>

**6. DUE FROM A RELATED PARTY**

During the year, the Company transacted with the shareholders and the following related parties. The terms of those transactions are approved by the Company's management.

<u>Name</u>	<u>Relationship</u>
Initiative Information Communication and Technology Ventures (ICTV)	Associate

**Malaz Capital Company**  
(A Closed Joint Stock Company)  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2014**  
*(Amount in Saudi Riyals)*

**6. DUE FROM A RELATED PARTY (Continued)**

The significant transactions and related amounts are as follows:

<u>Nature of transactions</u>	<u>2014</u>	<u>2013</u>
Expenses paid	<u>70,000</u>	<u>--</u>

The balance due from a related party as at December 31 comprised of the following:

<u>Due from an associate</u>	<u>2014</u>	<u>2013</u>
Initiative Information Communication and Technology Ventures (ICTV)	<u>5,833,667</u>	<u>5,763,667</u>

As disclosed in Note 9 of these financial statements, the Company has provided loan amounting to SAR 2.4 million to ICTV for the purpose of financing IT Security projects of IT Security Trading Company (ITSTC).

**7. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<u>2014</u>	<u>2013</u>
Advisor fee receivable	561,923	358,046
Prepaid expenses	443,088	441,293
Refundable deposit	148,059	56,335
Employees' receivable	--	17,993
Other	--	65,011
	<u>1,153,070</u>	<u>938,678</u>

**8. AVAILABLE FOR SALE INVESMENTS**

	<u>Investment in equity shares</u>	
<b>Cost</b>	<u>2014</u>	<u>2013</u>
Balance at beginning of year	14,185,097	--
Addition	22,663,022	14,933,297
Disposals	(16,796,857)	(748,200)
Balance at year end	<u>20,051,262</u>	<u>14,185,097</u>
<b>Change in the FV of AFS Investment</b>		
Balance at beginning of year	3,248,585	--
Unrealized (loss) / gain during the year	(13,109,137)	3,633,560
Realized gain on disposal of investment	7,082,199	(384,975)
Balance at year end	<u>(2,778,353)</u>	<u>3,248,585</u>
<b>Fair value</b>	<u>17,272,909</u>	<u>17,433,682</u>

**Malaz Capital Company**  
(A Closed Joint Stock Company)  
**Notes to the financial statements** (continued)  
**For the year ended 31 December 2014**  
*(Amount in Saudi Riyals)*

**9. LOAN TO AN ASSOCIATED COMPANY**

	<u>2014</u>	<u>2013</u>
Long term loan	3,612,441	3,612,441
Short term loan (9.1)	<u>2,374,838</u>	<u>--</u>
	<u>5,987,279</u>	<u>3,612,441</u>

- 9.1** During the year ended 31 December 2014, the Company has provided a further financing of SR 2.4 million to Initiative Information Communication and Technology Ventures which will be repaid by the investee company in the year 2015.

**10 PROVISION AGAINST LOSSES OF AN ASSOCIATE**

	<u>2014</u>	<u>2013</u>
Opening balance	(1,238,265)	(833,263)
Share of losses from an associate	<u>(3,224,780)</u>	<u>(405,002)</u>
Closing balance	<u>(4,463,045)</u>	<u>(1,238,265)</u>

The Company holds 6.9% of Equity Investment in Initiative Information Communication and Technology Ventures ("associate company"). The cost of such investment amounted to SR 300,000. However, due to continuous share of losses over the years, the carrying value of Investment amounted to SR Nil (2013: SR Nil)

**11. PROPERTY AND EQUIPMENT, NET**

	Leasehold improvement	Office Furniture	Office Equipment	Computers hardware and software	Vehicles	Mobile	Total
<b>Cost</b>							
1 January 2014	184,937	276,281	53,809	1,521,447	85,650	56,281	2,178,405
Addition	2,062,428	241,064	163,475	111,149	--	--	2,578,116
Disposals	(177,987)	(97,867)	(20,875)	(64,864)	--	(3,199)	(364,792)
31 December 2014	<u>2,069,378</u>	<u>419,478</u>	<u>196,409</u>	<u>1,567,732</u>	<u>85,650</u>	<u>53,082</u>	<u>4,391,729</u>
<b>Accumulated depreciation</b>							
1 January 2014	129,765	125,835	23,611	913,252	85,650	4,976	1,283,089
Charge for the year	203,948	64,209	12,964	327,123	--	18,756	627,000
Disposals	(139,047)	(92,199)	(20,875)	(64,864)	--	(1,422)	(318,407)
31 December 2014	<u>194,666</u>	<u>97,845</u>	<u>15,700</u>	<u>1,175,511</u>	<u>85,650</u>	<u>22,310</u>	<u>1,591,682</u>
<b>Net book value</b>							
31 December 2014	<u>1,874,712</u>	<u>321,633</u>	<u>180,709</u>	<u>392,221</u>	<u>--</u>	<u>30,772</u>	<u>2,800,047</u>
31 December 2013	<u>55,172</u>	<u>150,446</u>	<u>30,198</u>	<u>608,195</u>	<u>--</u>	<u>51,305</u>	<u>895,316</u>

**12 ACCRUED EXPENSES AND OTHER LIABILITIES**

	<u>2014</u>	<u>2013</u>
Accrued employees' expenses	2,463,750	2,867,933
Advances from customers	--	1,467,595
Accrued professional fees	170,000	190,500
Others	<u>55,422</u>	<u>10,000</u>
	<u>2,689,172</u>	<u>4,536,028</u>



### 13 DEFERRED REVENUE

It represents amount received from Reda Samer Islam for advisory services amounting to SR 0.067 million (Dec 2013: Nil) and from Malaz Sara for management fee amounting to SR 1.96 million (Dec 2013: Nil).

### 14. PROVISION FOR ZAKAT

The principal elements of zakat base are as follows:

	<u>2014</u>	<u>2013</u>
Shareholders equity, beginning balance	46,258,782	41,371,047
Adjusted net income	7,877,546	7,566,332
Amount Deductible	<u>(23,685,397)</u>	<u>(13,938,989)</u>
	<u>30,450,931</u>	<u>34,998,390</u>

Some of these amounts have been adjusted in arriving at the zakat charge for the year. The zakat is calculated based on the zakat base.

The movement in the provision for zakat for the year ended December 31 is as follows:

	<u>2014</u>	<u>2013</u>
Balance at beginning of the year	1,917,866	1,032,367
Provision made during the year	761,273	885,499
Payment made during the year	<u>(1,855,980)</u>	<u>--</u>
Balance made end of the year	<u>823,159</u>	<u>1,917,866</u>

The Company has filed its financial statements and zakat returns with the DZIT upto 2013 and received the final certificate.

### 15. MANAGEMENT FEE INCOME

The Company charges the Management fees ranging from 2.00% to 1.10% per annum of the funds size (2013: 2% per annum) as per the terms and conditions of the funds.

### 16. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2014</u>	<u>2013</u>
Employees' salaries and other benefits	12,334,762	10,742,137
Legal and consultancy expenses	2,651,174	1,069,324
Rent	1,413,237	392,198
Depreciation	627,000	337,305
Amortization	326,258	652,516
Travelling expenses	231,643	389,230
Communication	206,595	121,998
Maintenance expenses	138,200	176,910
Insurance	2,108	2,302
Marketing fee	117,150	107,950
SSME Support fee	793,274	--
License fee	85,000	85,000
Others	<u>533,183</u>	<u>388,064</u>
	<u>19,459,584</u>	<u>14,464,934</u>



#### **17. EARNINGS PER SHARE**

Earnings per share is calculated by dividing the income from operations and net income for the year by dividing the weighted average number of ordinary shares of 6,000,000.

#### **18. FAIR VALUES**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, available for sale investments, accounts receivables, due from a related party and prepaid expenses and other assets and its financial liabilities consist of accounts payable and accrued expenses and other liabilities. The fair values of financial instruments are not materially different from their carrying values.

#### **19. COMMITMENT**

The Company has undertaken to finance the associate, an aggregate amount of SR 7,500,000 (including the investment cost in the associate company) in order to support the operations of the associate. As of 31 December 2014, the Company provided an advance of SR 3,612,441 from committed capital to the associate company. As at 31 December 2014, the company is still committed to provide financing of the remaining balance SR 3,887,559.

#### **20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments carried on the balance sheet include cash at bank, investments, loan from shareholders and due to a related party.

**Credit risk** is the risk that one party may fail to discharge an obligation and will cause the other party to incur a financial loss. The Company has no significant concentration of credit risks. Cash and cash equivalents are placed with a local bank with sound credit ratings.

**Liquidity risk** is the risk that the Company may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company is currently facing liquidity issues as it has no major operational activity; however shareholders have provided interest free loan to the Company in order to meet its obligation and expenses. Further, the shareholders have resolved to provide financial support to the Company as and when required. The Company is confident that adequate funds will be available as and when required from its shareholders.

**Currency risk** is the risk that the value of a financial instrument may fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in the United States Dollars and Saudi Arabian Riyals, thus the foreign currency risk is limited as Saudi Riyal is pegged to the United States Dollar.

## 21 REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The Capital Market Authority (the "CMA") has issued Prudential Rules (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules. In accordance with this methodology, Malaz Capital has calculated its minimum capital required and capital adequacy ratios as follows:

	<i>As at December 31,</i>	
	<i>2014</i>	<i>2013</i>
<b>Capital Base:</b>		
Tier 1 Capital	46,196	45,156
Tier 2 Capital	--	3,249
<b>Total Capital Base</b>	<b>46,196</b>	<b>48,405</b>
<b>Minimum Capital Requirement:</b>		
Market Risk	--	--
Credit Risk	21,675	21,226
Operational Risk	4,865	3,616
<b>Total Minimum Capital Required</b>	<b>26,540</b>	<b>24,842</b>
<b>Capital Adequacy Ratio:</b>		
Surplus / (Deficit) in Capital	19,656	23,563
<b>Total Capital Ratio (times)</b>	<b>1.74</b>	<b>1.95</b>

- a) Capital Base of the Company comprise of
- **Tier-1 capital** consists of paid-up share capital, retained earnings, share premium (if any), reserves excluding revaluation reserves, with certain deductions as per the Rules.
  - **Tier-2 capital** consists of subordinated loans, cumulative preference shares and revaluation reserves, with certain deductions as per the Rules.
- b) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in the Rules.

The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

## 22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

## 23. APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements have been approved on 1 March 2015.