

BAIT AL MAL AL KHALEEJI COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

31 DECEMBER 2017



Ernst & Young & Co. (Public Accountants)
4th Floor – Juffali Building
PO Box 3795
Al Khobar 31952
Saudi Arabia
Registration Number: 45

Tel: +966 13 849 9500
Fax: +966 13 882 7224

www.ey.com

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS' OF BAIT AL MAL AL KHALEEJI COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

Opinion

We have audited the financial statements of Bait Al Mal Al Khaleeji Company (the "Company"), which comprise the balance sheet as at 31 December 2017, and the statement of income, statement of cash flows and statement of changes in shareholders' equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and the provisions of Companies' Law and Company's By-Laws, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITORS' REPORT (Continued)
TO THE SHAREHOLDERS' OF BAIT AL MAL AL KHALEEJI COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (Continued)
TO THE SHAREHOLDERS' OF BAIT AL MAL AL KHALEEJI COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young



Marwan Al-Afaliq
Certified Public Accountant
Registration No. 422



10 Rajab 1439H
27 March 2018
Alkhobar

Bait Al Mal Al Khaleeji Company
(A Saudi Closed Joint Stock Company)

BALANCE SHEET

As at 31 December 2017

	<i>Note</i>	<i>2017</i> <i>SR</i>	<i>2016</i> <i>SR</i>
ASSETS			
CURRENT ASSETS			
Bank balances		10,695,377	16,845,226
Prepayments and other receivables	3	3,321,219	2,068,735
Investments held for trading	4	4,766,688	-
TOTAL CURRENT ASSETS		<u>18,783,284</u>	<u>18,913,961</u>
NON-CURRENT ASSETS			
Investment properties	5	28,502,027	28,182,027
Leasehold improvements, furniture and vehicles	6	368,575	597,703
TOTAL NON-CURRENT ASSETS		<u>28,870,602</u>	<u>28,779,730</u>
TOTAL ASSETS		<u>47,653,886</u>	<u>47,693,691</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accrued expenses and payables	8	259,421	389,306
Zakat provision	9	466,134	463,300
TOTAL CURRENT LIABILITIES		<u>725,555</u>	<u>852,606</u>
NON-CURRENT LIABILITY			
Employees' terminal benefits		166,399	217,922
TOTAL LIABILITIES		<u>891,954</u>	<u>1,070,528</u>
SHAREHOLDERS' EQUITY			
Share capital	10	80,000,000	80,000,000
Accumulated losses		(33,238,068)	(33,376,837)
TOTAL SHAREHOLDERS' EQUITY		<u>46,761,932</u>	<u>46,623,163</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>47,653,886</u>	<u>47,693,691</u>

The attached notes 1 to 21 form part of these financial statements.

Bait Al Mal Al Khaleeji Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF INCOME

Year ended 31 December 2017

	<i>Note</i>	2017 SR	2016 SR
OPERATING INCOME			
Income from asset management services	11	5,761,022	7,526,494
Realised gains on sale of investments held for trading	4	866,566	2,093,752
Unrealised losses on investments held for trading	4	(123,770)	-
Dividends income		156,919	-
		<u>6,660,737</u>	<u>9,620,246</u>
OPERATING EXPENSES			
General and administration	12	(6,084,224)	(8,441,358)
INCOME FROM MAIN OPERATION		<u>576,513</u>	<u>1,178,888</u>
Other income, net		28,390	4,771
INCOME BEFORE ZAKAT		<u>604,903</u>	<u>1,183,659</u>
Zakat	9	(466,134)	(470,625)
NET INCOME FOR THE YEAR		<u><u>138,769</u></u>	<u><u>713,034</u></u>
EARNINGS PER SHARE:			
Attributable to income from main operation	13	<u><u>0.07</u></u>	<u><u>0.15</u></u>
Attributable to net income for the year	13	<u><u>0.02</u></u>	<u><u>0.09</u></u>

The attached notes 1 to 21 form part of these financial statements.

Bait Al Mal Al Khaleeji Company
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STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	2017 SR	2016 SR
OPERATING ACTIVITIES		
Income before zakat	604,903	1,183,659
Adjustments for:		
Depreciation	261,233	300,774
Unrealised losses on investments held for trading	123,770	-
Provision for employees' terminal benefits	66,518	175,728
Gain on disposal of vehicle	(3,500)	(8,790)
	<u>1,052,924</u>	<u>1,651,371</u>
Changes in operating assets and liabilities:		
Investments held for trading	(4,890,458)	9,688,125
Prepayments and other receivables	(1,252,484)	(318,282)
Accrued expenses and payables	(129,885)	(26,845)
	<u>(5,219,903)</u>	<u>10,994,369</u>
Cash (used in)/from operations	(5,219,903)	10,994,369
Employees' terminal benefits paid	(118,041)	(224,962)
Zakat paid	(463,300)	(439,006)
	<u>(5,801,244)</u>	<u>10,330,401</u>
INVESTING ACTIVITIES		
Purchase of furniture, fixtures and office equipment	(32,105)	(76,539)
Proceeds from disposal of vehicle	3,500	13,383
Addition of Investment properties	(320,000)	-
	<u>(348,605)</u>	<u>(63,156)</u>
(DECREASE)/INCREASE IN BANK BALANCES	(6,149,849)	10,267,245
Bank balances at the beginning of the year	<u>16,845,226</u>	<u>6,577,981</u>
BANK BALANCES AT THE END OF THE YEAR	<u>10,695,377</u>	<u>16,845,226</u>

The attached notes 1 to 21 form part of these financial statements.

Bait Al Mal Al Khaleeji Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 31 December 2017

	<i>Share capital</i> SR	<i>Accumulated</i> <i>losses</i> SR	<i>Total</i> SR
Balance at 31 December 2015	80,000,000	(34,089,871)	45,910,129
Net income for the year	-	713,034	713,034
Balance at 31 December 2016	<u>80,000,000</u>	<u>(33,376,837)</u>	<u>46,623,163</u>
Net income for the year	-	138,769	138,769
Balance at 31 December 2017	<u>80,000,000</u>	<u>(33,238,068)</u>	<u>46,761,932</u>

The attached notes 1 to 21 form part of these financial statements.

Bait Al Mal Al Khaleeji Company
(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

1 ACTIVITIES

Bait Al Mal Al Khaleeji Company (the "Company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia in accordance with Ministerial Resolution number 133/Q dated 25 Rabi'II 1430H, corresponding to 21 April 2009. The Company is operating under commercial registration number 2050065112 issued in Dammam on 23 Jumada Al-Awwal 1430 H (18 May ,2009). The registered address of the company is P.O. Box 9177, Dammam 31413, Kingdom of Saudi Arabia.

The Company is engaged in dealing as a principal, managing mutual funds and providing consultation and safekeeping services for securities business in accordance with its licenses No. 08123-37 and No. 15/5967/6/1/S dated 19 Jumada Al-Awwal 1436 H (10 March 2015), issued by the Capital Market Authority ("CMA"). The Company's operations are conducted principally in Saudi Arabia.

2 SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

These financial statements are prepared under the historical cost convention, modified to include the measurement of investments held for trading at fair value.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Investments held for trading

Securities listed or traded on a stock exchange are initially recognised at cost, being the fair value of the consideration given and are subsequently carried at fair value. Changes in fair values of investments held for trading, comprising realised and unrealised gains and losses are included in the statement of income. Realised gains and losses on investment sold are determined on a weighted average cost basis.

Investment properties

Investment properties are initially recorded at cost and are stated at cost less accumulated depreciation and any impairment in value. Freehold land and capital work in progress are not depreciated.

The carrying values of investment properties 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. The excess of carrying value over the estimated recoverable amount is charged to the statement of income.

Leasehold improvements, furniture and vehicles /depreciation

Leasehold improvements, furniture and vehicles are stated at cost less accumulated depreciation and any impairment in value. The cost of furniture and vehicles is depreciated on a straight line basis over the estimated useful lives of the assets.

Leasehold improvements are depreciated on a straight line basis over the shorter of the useful life of the improvement or the term of the lease.

Expenditure for repair and maintenance are charged to the statement of income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be measured reliably.

Bait Al Mal Al Khaleeji Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the statement of income. Additional amounts, if any, that may become due on the finalisation of an assessment are accounted for in the year in which the assessment is finalised.

Employees' terminal benefits

Provision is made for amounts payable under the employment contracts applicable to employees' accumulated periods of service at the balance sheet date.

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income and after deducting losses brought forward in each year until it has built up a reserve equal to one half of the capital (reduced to 30% in accordance with new Saudi Arabian Regulations for Companies effective from 2 May 2016). No transfer has been made due to accumulated losses.

Revenue recognition

- Fee from managing assets services (including mutual funds) is recognised when such services are rendered.
- Fee from subscription is recognised upon subscription to the fund.
- Custody fee is recognised upfront over the period of the service.
- Dividends income from investments are recognised when the right to receive dividends is established.

Assets management

The Company offers investment services to its customer which include management certain investment funds.

Assets held in trust or in fiduciary capacity, if any, are not treated as assets of the Company and, accordingly, are not included in accompanying financial statements.

Expenses

All expenses are treated as period cost and classified as general and administrative expenses.

Operating lease

Operating lease payments are recognised as an expense in the statement of income on a straight line basis over the lease term.

Fair value

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value for financial instruments traded in active markets at the valuation date is based on their quoted price. Instruments for which no sale was reported on the valuation day are valued at the most recent bid price. Investments in mutual funds are valued at the unit price prevailing on the last valuation day of the period.

Offsetting

Financial assets and liabilities are offset and reported net in the balance sheet when there is a legally enforceable right to set off the recognised amounts and when the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Segment reporting

A segment is a distinguishable component of the Company that is either engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographical segment) which is subject to risks and rewards that are different from those of other segments.

Bait Al Mal Al Khaleeji Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

3 PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
	SR	SR
Amounts due from related parties (note 7)	3,044,447	924,245
Other prepaid expenses	205,123	394,005
Prepaid rent	-	733,204
Other receivables	71,649	17,281
	<u>3,321,219</u>	<u>2,068,735</u>

4 INVESTMENTS HELD FOR TRADING

	2017	2016
	SR	SR
<i>Cost:</i>		
At the beginning of the year	-	9,688,125
Additions made during the year	24,448,020	13,120,160
Disposals made during the year	(20,424,128)	(24,902,037)
Realised gains on disposals during the year	866,566	2,093,752
	<u>4,890,458</u>	<u>-</u>
<i>Unrealised losses</i>		
Movement during the year	(123,770)	-
At the end of the year	<u>4,766,688</u>	<u>-</u>

Investments held for trading represent investments in quoted shares.

5 INVESTMENT PROPERTIES

	Land	Capital work	<i>Total</i>	<i>Total</i>
	SR	in progress	2017	2016
	SR	SR		
<i>Cost:</i>				
At the beginning of the year	28,182,027	-	28,182,027	28,182,027
Additions	-	320,000	320,000	-
At the end of the year	<u>28,182,027</u>	<u>320,000</u>	<u>28,502,027</u>	<u>28,182,027</u>
<i>Net book amounts:</i>				
At 31 December 2017	<u>28,182,027</u>	<u>320,000</u>	<u>28,502,027</u>	
At 31 December 2016	<u>28,182,027</u>	<u>-</u>		<u>28,182,027</u>

Investment properties as at 31 December 2017 and 2016 represent long-term Investments in plots of land.

Capital work in progress at the year end represents advances made to architect engineer related to development of plots of land in AlKhobar.

Bait Al Mal Al Khaleeji Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

6 LEASEHOLD IMPROVEMENTS, FURNITURE AND VEHICLES

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

Leasehold improvements	4 years
Furniture ,fixtures and office equipment	4 years
Vehicles	4 years

	<i>Leasehold improvements</i>	<i>Furniture, fixtures and office equipment</i>	<i>Vehicles</i>	Total 2017	<i>Total 2016</i>
	SR	SR	SR	SR	SR
<i>Cost:</i>					
At the beginning of the year	198,733	2,033,615	159,950	2,392,298	2,862,958
Additions	-	32,105	-	32,105	76,539
Disposal	-	-	(33,500)	(33,500)	(547,199)
At the end of the year	<u>198,733</u>	<u>2,065,720</u>	<u>126,450</u>	<u>2,390,903</u>	<u>2,392,298</u>
<i>Accumulated depreciation:</i>					
At the beginning of the year	139,722	1,501,433	153,440	1,794,595	2,036,427
Charge for the year	45,562	209,161	6,510	261,233	300,774
Disposal	-	-	(33,500)	(33,500)	(542,606)
At the end of the year	<u>185,284</u>	<u>1,710,594</u>	<u>126,450</u>	<u>2,022,328</u>	<u>1,794,595</u>
<i>Net book amounts:</i>					
At 31 December 2017	<u>13,449</u>	<u>355,126</u>	<u>-</u>	<u>368,575</u>	
At 31 December 2016	<u>59,011</u>	<u>532,182</u>	<u>6,510</u>		<u>597,703</u>

Bait Al Mal Al Khaleeji Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

7 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, key personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. The Company enters into transactions with funds under the Company's management. A summary of related parties' transactions and balances is as follows:

The following are the details of related parties' transactions during the year and the resulting balances:

<i>Nature of transactions</i>	<i>Relationship of related parties</i>	<i>Amount of transactions</i>	
		<i>2017</i>	<i>2016</i>
		<i>SR</i>	<i>SR</i>
Management fee	Funds management	2,152,955	3,534,126
Subscription fee	Funds management	3,223,637	3,387,469
Custody fee	Funds management	384,430	604,899
Rental charged	Shareholder	718,080	718,080
Consultancy fees	Director	780,000	780,000

Amounts due from related parties show in note 3:

	<i>2017</i>	<i>2016</i>
	<i>SR</i>	<i>SR</i>
BMK Saudi Equity Fund	440,545	596,110
Elite House GCC Equity Fund	234,300	201,656
BMK IPO Fund	2,369,602	126,479
	<u>3,044,447</u>	<u>924,245</u>

8 ACCRUED EXPENSES AND PAYABLES

	<i>2017</i>	<i>2016</i>
	<i>SR</i>	<i>SR</i>
Accrued expenses	239,943	320,439
Other payables	19,478	68,867
	<u>259,421</u>	<u>389,306</u>

9 ZAKAT

(a) Charge for the year

	<i>2017</i>	<i>2016</i>
	<i>SR</i>	<i>SR</i>
Provision and charge for the year	<u>466,134</u>	<u>470,625</u>

Bait Al Mal Al Khaleeji Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

9 ZAKAT (continued)

The provision is based on the following:

	2017 SR	2016 SR
Equity	46,623,163	45,910,129
Other adjustments	(311,004)	267,156
Book value of long term assets	(28,590,971)	(28,779,730)
	<u>17,721,188</u>	<u>17,397,555</u>
Zakatable profit for the year	924,165	1,134,425
Zakat base	<u>18,645,353</u>	<u>18,531,980</u>

The difference between the financial and the zakatable results is mainly due to provisions and unrealised losses which are not allowed in the calculation of zakatable results.

b) Movements in provision

The movement in the of zakat provision is as follows:

	2017 SR	2016 SR
At the beginning of the year	463,300	431,681
Charge for the year	466,134	470,625
Payment during the year	(463,300)	(439,006)
At the end of the year	<u>466,134</u>	<u>463,300</u>

(c) Status of assessments

The Company has filed its Zakat declaration with the General Authority of Zakat and Tax (GAZT) for the period ended 31 December 2009 and for the years from 2010 to 2016. Assessments have not yet been raised by the GAZT.

10 CAPITAL

Capital is divided into 8,000,000 shares (2016: 8,000,000 shares) of SR 10 each (2016: SR 10 each) as following:

<u>Shareholders</u>	<u>Nationality</u>	<u>Shareholding percentage</u>	
		2017	2016
Al-Dammam Development Company	Kingdom of Saudi Arabia	80.44	80.44
Integrated Capital	United Arab Emirates	16.25	16.25
Mr. Khaled Ben Ahmed Ben Rashed Al Dossery	Saudi	1.25	1.25
Mr. Khaliefa Ben Ahmed Ben Rashed Al Dossery	Saudi	1.25	1.25
Mr. Mohammed Ben Ahmed Ben Rashed Al Dossery	Saudi	0.81	0.81
		<u>100</u>	<u>100</u>

Bait Al Mal Al Khaleeji Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

11 INCOME FROM ASSET MANAGEMENT SERVICES

	<i>2017</i>	<i>2016</i>
	<i>SR</i>	<i>SR</i>
Management fee - mutual funds (note 7)	2,152,955	3,534,126
Subscription fee - mutual funds (note 7)	3,223,637	3,387,469
Custody fee - mutual funds (note 7)	384,430	604,899
	<u>5,761,022</u>	<u>7,526,494</u>

12 GENERAL AND ADMINISTRATION EXPENSES

	<i>2017</i>	<i>2016</i>
	<i>SR</i>	<i>SR</i>
Employees' costs	3,011,753	4,593,427
Consultancy fees (note 7)	780,000	780,000
Rent	818,630	818,754
Legal and professional fees	256,500	523,101
Subscriptions and license fees	228,435	377,300
Depreciation	261,233	300,774
Utilities	262,383	275,206
Repair and maintenance	64,993	162,929
Insurance	66,709	72,133
Travel	79,359	57,918
Directors attending allowance	22,500	107,500
Other	231,729	372,316
	<u>6,084,224</u>	<u>8,441,358</u>

13 EARNINGS PER SHARE

Earnings per share is calculated by dividing the income from main operations and net income for the year by the weighted average number of shares 8,000,000 shares (2016: 8,000,000 shares) outstanding at the end of the year.

14 OPERATING LEASE COMMITMENT

The company has entered into certain operating lease agreements, the future annual rental commitments as of 31 December are summarised as follows:

	<i>2017</i>	<i>2016</i>
	<i>SR</i>	<i>SR</i>
Within one year	718,080	718,080
After one year but not more than five years	718,080	1,436,160
More than five years	-	-
	<u>1,436,160</u>	<u>2,154,240</u>

Bait Al Mal Al Khaleeji Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

15 RISK MANAGEMENT

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 Company seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

Liquidity risk

Liquidity risk is the risk that the Company will 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 manages its liquidity risk by monitoring investing activities and cash flows on regular basis.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals during the year. Accordingly, the Company is not subject to currency risk.

Equity price risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and by placing limits on individual and total equity instruments sectors. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis.

16 SEGMENT REPORTING

All of the Company's operations are related to one operating segment which is investment in shares. Accordingly, segmental analysis by operating and geographic segment has not been presented.

17 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 transactions. The Company's financial assets consist of bank balances, other receivables and investments held for trading. Its financial liabilities consist of other liabilities.

The fair values of financial instruments are not materially different from their carrying values at the balance sheet date.

18 CAPITAL MANAGEMENT

The Company's objectives when managing capital are to comply with the capital requirements set by the 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.

Bait Al Mal Al Khaleeji Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

19 CAPITAL ADEQUACY

Capital Market Authority has issued Prudential Regulations (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H) pursuant to Royal Decree No. M/30 dated 2/6/1424H. According to the Rules, CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under Pillar I. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	<i>2017</i>	<i>2016</i>
	<i>SR</i>	<i>SR</i>
<i>Capital base</i>		
Tier I	46,761,932	46,623,163
Total	<u>46,761,932</u>	<u>46,623,163</u>
<i>Minimum capital</i>		
Market risk	858,004	-
Credit risk	17,810,319	17,373,505
Operational risk	1,521,056	2,126,448
Total	<u>20,189,379</u>	<u>19,499,953</u>
Capital adequacy ratio	2.32	2.39
Surplus	<u>26,572,553</u>	<u>27,123,210</u>

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.
- b) The minimum capital requirements for market, credit & operational risk are calculated as per the requirements specified in the part 3 of the Prudential Rules issued by the CMA.
- c) 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.

20 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

21 APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors, in its meeting held on 19 Jumada' II 1439H (corresponding to 7 March 2018), approved the financial statements.