Audi Capital
(Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS

31 DECEMBER 2018

Building a better working world

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower - 14th floor
King Fahad Road
PO Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821

Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730

riyadh@sa.ey.com
www.ey.com/mena

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Audi Capital Saudi Arabia
(A Saudi Closed Joint Stock Company)

Opinion
We have audited the financial statements of Audi Capital - A Saudi Closed Joint Stock Company (the "Company") which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion
We conducted our audit in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the 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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and the Company's By-laws, 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.

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 AUDITOR'S REPORT
To the Shareholders of Audi Capital
(A Saudi Closed Joint Stock Company) (continued)

Auditor's 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.

- 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.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Audi Capital
(A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)
We communicate with the 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

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

Yousef A. AlMubarak
Certified Public Accountant
License No. 427

Riyadh: 24 Rajab 1440H
(31 March 2019)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	**31 December 2018 SR**	*31 December 2017 SR (note 4)*	*1 January 2017 SR (note 4)*
ASSETS				
NON-CURRENT ASSETS				
Property and equipment, net	12	**1,202,626**	1,764,607	2,243,200
Intangible assets, net	13	**3,172,702**	4,387,447	1,502,514
Investments at amortised cost	10	**89,779,301**	90,591,761	37,148,346
Investments at fair value through other comprehensive income	8	-	-	14,759,002
Deferred tax assets	14	**4,061,879**	4,332,879	2,772,697
TOTAL NON-CURRENT ASSETS		**98,216,508**	101,076,694	58,425,759
CURRENT ASSETS				
Loans to customers	15	**3,174,144**	3,029,785	673,998
Accounts receivables, prepayments and other assets	16	**19,906,052**	16,242,361	20,691,893
Investments at amortised cost	10	-	-	38,536,376
Investments at fair value through profit or loss	9	-	-	10,000,900
Cash and cash equivalents	7	**7,994,075**	5,085,598	29,382,812
TOTAL CURRENT ASSETS		**31,074,271**	24,357,744	99,285,979
TOTAL ASSETS		**129,290,779**	125,434,438	157,711,738
LIABILITIES AND EQUITY				
NON-CURRENT LIABILITIES				
Employee defined benefit liability	17	**4,180,500**	5,352,500	6,108,900
Deferred tax liability	14	**239,553**	25,987	61,620
TOTAL NON-CURRENT LIABILITIES		**4,420,053**	5,378,487	6,170,520
CURRENT LIABILITIES				
Accrued expenses and other payables	18	**6,234,037**	6,412,949	3,925,544
Zakat and income tax payable	14	**706,704**	318,778	318,878
TOTAL CURRENT LIABILITIES		**6,940,741**	6,731,727	4,244,422
TOTAL LIABILITIES		**11,360,794**	12,110,214	10,414,942
EQUITY				
Share capital	19	**100,000,000**	100,000,000	100,000,000
Statutory reserve	20	**10,398,896**	10,023,743	10,023,743
Retained earnings		**6,572,904**	3,196,530	36,427,729
Other reserves		**958,185**	103,951	845,324
TOTAL EQUITY		**117,929,985**	113,324,224	147,296,796
TOTAL LIABILITIES AND EQUITY		**129,290,779**	125,434,438	157,711,738

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	*31 December 2018 SR*	*31 December 2017 SR*
OPERATING INCOME			
Managing income		**12,873,594**	8,612,283
Dealing and brokerage income	21	**12,871,182**	11,981,964
Custody income		**4,842,690**	2,564,082
Advising income		**480,908**	-
Arranging income		**375,000**	2,655,000
TOTAL OPERATING INCOME		**31,443,374**	25,813,329
OPERATING EXPENSES			
General and administration expenses	23	**(27,142,637)**	(35,504,360)
NET OPERATING INCOME/(LOSS)		**4,300,737**	(9,691,031)
Other income/ (expenses), net	22	**109,969**	(94,029)
Impairment charge for credit losses		-	(514,224)
PROFIT/(LOSS) BEFORE ZAKAT AND INCOME TAX		**4,410,706**	(10,299,284)
Zakat and income tax (charge)/ credit	14	**(659,179)**	3,318,085
PROFIT/(LOSS) FOR THE YEAR		**3,751,527**	(6,981,199)
Other comprehensive income that may be / are reclassified to profit or loss in subsequent years:			
Changes in FVOCI reserves related to expected credit losses		-	(598,844)
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Re-measurement gain / (loss) on defined benefit plans	17	**1,067,800**	(178,162)
Deferred tax (charge) / credit	14	**(213,566)**	35,633
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**854,234**	(741,373)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,605,761**	(7,722,572)

The attached notes 1 to 31 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital SR	*Statutory reserve SR*	*Retained earnings SR*	*Other reserves SR*	*Total SR*
As at 1 January 2017 (note 4)	100,000,000	10,023,743	36,427,729	845,324	147,296,796
Loss for the year	-	-	(6,981,199)	-	(6,981,199)
Other comprehensive income	-	-	-	(741,373)	(741,373)
Total comprehensive income for the year	-	-	(6,981,199)	(741,373)	(7,722,572)
Dividend (note 19)	-	-	(26,250,000)	-	(26,250,000)
Balance at 31 December 2017	100,000,000	10,023,743	3,196,530	103,951	113,324,224
Profit for the year	-	-	3,751,527	-	3,751,527
Other comprehensive income	-	-	-	854,234	854,234
Total comprehensive income for the year	-	-	3,751,527	854,234	4,605,761
Transfer to statutory reserve	-	375,153	(375,153)	-	-
Balance at 31 December 2018	**100,000,000**	**10,398,896**	**6,572,904**	**958,185**	**117,929,985**

The attached notes 1 to 31 form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 SR	31 December 2017 SR
OPERATING ACTIVITIES			
Profit / (loss) before zakat and income tax		**4,410,706**	(10,299,284)
Adjustments to reconcile profit / (loss) before zakat and tax to net cash flows from / (used in) operating activities:			
Depreciation and amortization	12 and 13	**2,270,375**	1,785,313
Provisions for employee benefit obligations	17	**1,054,200**	1,195,000
Exchange (gains)/ losses, net	22	**(16,182)**	71,394
Amortization of premium		**828,642**	676,454
Changes in expected credit loss	10	-	514,224
Loss on disposal of investment	21	-	155,904
Loss on sale of property and equipment	22	-	22,635
Operating cash flows before working capital changes		**8,547,741**	(5,878,360)
Accounts receivable, prepayments and other current financial assets		**(3,663,691)**	6,207,435
Loan to customers		**(144,359)**	(2,355,787)
Accrued expenses and other payables		**(178,912)**	2,487,659
Net cash flow from operations		**4,560,779**	460,947
Zakat and income tax paid	14	**(253)**	(353)
End of service benefits paid	17	**(1,158,400)**	(2,129,562)
Net cash from / (used in) operating activities		**3,402,126**	(1,668,968)
INVESTING ACTIVITIES			
Purchase of investments at amortised cost		-	(110,192,665)
Purchase of investments at FVOCI		-	(21,872,041)
Proceeds from disposal of investments at FVOCI		-	36,318,385
Proceeds from disposal of investments at FVPL		-	10,085,835
Proceeds from disposal of investments at amortised cost		-	93,496,529
Purchase of property and equipment	12	**(123,001)**	(352,328)
Sale proceeds from disposal of property and equipment		-	7,851
Purchase of intangible assets	13	**(370,648)**	(3,869,812)
Net cash (used in) from investing activities		**(493,649)**	3,621,754
FINANCING ACTIVITY			
Dividend paid	19	-	(26,250,000)
Cash used in financing activity		-	(26,250,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**2,908,477**	(24,297,214)
Cash and cash equivalents at the beginning of the year		**5,085,598**	29,382,812
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**7,994,075**	5,085,598

The attached notes 1 to 31 form part of these financial statements

1 ACTIVITIES

Audi Capital Company (the "Company") is a Saudi Closed Joint Stock Company, incorporated and domiciled in Riyadh, Kingdom of Saudi Arabia. The Company has obtained a license number 692 dated 2 Jumad Al Awal 1427 H (corresponding to 30 May 2006) from the Saudi Arabian General Investment Authority ("SAGIA"). The Company is registered under commercial registration number 1010226747 dated 18 Dhul Hajjah 1427H (corresponding to 8 January 2007). The Company has also obtained a license number 06017-37 dated 22 Rabi Al Thani 1427H (corresponding to 20 May 2006) from the Capital Market Authority (the "CMA"). The registered office is located at Centria Building, Prince Mohammad bin Abdulaziz Road (Tahlia), Riyadh, Kingdom of Saudi Arabia.

The Company is licensed to act as principal and agent, to underwrite and manage mutual funds and portfolios and to provide arranging, advising, custodial and international brokerage services.

2 BASIS OF PREPARATION

a) Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

For all years up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia ("SOCPA GAAP"). These financial statements for the year ended 31 December 2018 are the first set of financial statements that the Company has prepared in accordance with IFRS as endorsed in KSA. Accordingly, IFRS 1 – "First-time Adoption of IFRS" endorsed in KSA has been applied. Refer to note 4 for information on the impact on the financial statements of the Company as a result of adoption of IFRS as endorsed in KSA.

b) Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the following:
- investments at fair value through profit or loss ("FVPL") are measured at fair value.
- investments at fair value through other comprehensive income ("FVOCI") are measured at fair value.

c) Functional and presentation currency

The financial statements are presented in Saudi Riyals ("SR") which is the Company's functional currency. All values have been rounded to the nearest Saudi Riyal, except where otherwise indicated.

3 SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

3.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on a current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Classification of financial assets depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows. The Company classifies its financial assets as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through profit or loss or through other comprehensive income ("OCI").

Initial measurement

Financial assets are initially measured at its fair value, plus transaction costs in the case of a financial asset not at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement
Debt instruments

The Company uses three classifications to subsequently measure and recognize its debt instruments:

- *Amortised cost*

  Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

  Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

  Time deposits, due from related parties and other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and are measured at amortised cost.

- *Fair Value through Other Comprehensive Income ("FVOCI")*

  Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Fair value movements are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to profit or loss and recognised in dealing and brokerage income. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.

- *Fair Value through Profit or Loss ("FVPL")*

  Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI, are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and which is not part of a hedging relationship is recognised and presented net in the profit or loss in the period in which it arises.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Financial instruments (continued)
i) Financial assets (continued)
Subsequent measurement (continued)
Equity instruments
The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss even following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive dividend is established.

Changes in the fair value of equity instruments at fair value through profit or loss are recognised in profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

De-recognition
A financial asset or a part of a financial asset is de-recognised when:
a) The rights to receive cash flows from the asset have expired, or
b) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment
The Company assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its financial assets carried at amortised cost and FVOCI (including loans to customers), which is either based on a 12-month ECL or life time ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

In case of debt instruments measured at FVOCI, the ECLs do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortized cost, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not subsequently measured at fair value, net of directly attributable transaction costs.

The Company's financial liabilities mainly include trade and other payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Gains or losses on liabilities held for trading are recognised in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

All other financial liabilities that are not carried at fair values are subsequently measured at amortized cost.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Financial instruments (continued)

ii) Financial liabilities (continued)
Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the assets and settle the liability simultaneously.

3.3 Property and equipment
Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included, if any, in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

The major categories of property and equipment are depreciated on a straight-line basis as follows:

Asset categories	**Useful lives**
Furniture, fixtures and improvements	10 years
Office equipment and computers	4 years
Motor vehicles	4 years

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, methods of depreciation and useful lives of the assets are reviewed annually and adjusted prospectively if appropriate.

Impairment losses and gains (losses) on disposal of property and equipment are included in profit or loss.

3.4 Intangible assets
Intangible assets of the Company comprise computer software.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment, if any.

Expenditure on internally developed software is recognized as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalized cost of internally developed software include all cost directly attributable to developing the software and is amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and accumulated impairment, if any.

Amortization is recognized in the profit or loss on a straight-line basis over the estimated useful life of the software from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is four years.

Amortization method, useful lives and residual values are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Subsequent expenditure on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Employee benefits

The Company operates a defined benefit scheme for its employees in accordance with labor regulations applicable in the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefits scheme is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent periods. Re-measurements are not reclassified to profit or loss in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation under 'general and administration expenses' in the statement of comprehensive income.

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

3.6 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

3.7 Zakat and income tax

Zakat

Zakat is provided for in accordance with the Saudi Arabian regulations and is charged to profit or loss on an accrual basis. This is adjusted, if applicable, upon receiving the final zakat assessment.

Income tax

Income tax assets and liabilities for the year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia where the Company operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Zakat and income tax (continued)

Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.8 Other liabilities

Provisions for restructuring costs, warranties and legal claims are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted where the effect is material.

3.9 Contingent liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less. These deposits are made with reputable banks and financial institutions within the Kingdom of Saudi Arabia.

3.11 Revenue

The Company is in the business of providing services which are set out below. Revenue from contracts with customers is recognised when services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Revenue (continued)

Dealing income

Dealing activities include trading in a security, whether as principal or agent, and to sale, purchase and to manage the subscription for/of underwriting securities. Income from dealing services is recognized when the performance obligations have been satisfied.

Managing income

Managing activities include managing securities belonging to another person in circumstances involving the exercise of discretion. Management fees is recognised on an accrual basis over the period as the Company renders services.

The performance fee income is based on a portfolio's performance. In many cases, these performance fees are highly susceptible to market volatility until they are crystallised or are no longer subject to clawback, which may be after the end of the reporting period.

In case of the Company, the effect of the clawback does not apply since the Company does not recognize any revenue against the performance fee until the end of the respective period for testing. If the benchmark has been achieved, this is when the performance fee is crystallized and recorded as revenue.

Advisory income

Advising activities include advising a person on the merits of dealing in a security or exercising any right to deal conferred by a security. This relates to income generated by providing financial advisory services to financial institutions, individuals and institutional investors. The Company charges financial advisory service fees and recognises this as revenue upon delivery of services or once the performance obligation is fulfilled based on the agreement between the Company and the counterparty.

Arranging income

Arranging activities include introducing parties in relation to securities business, advising on corporate finance business or acting in a way to bring about a deal in a security. Revenue for arranging services is recognized at a point in time when the promises for the facilities are completed.

Custody income

Custody activities include safeguarding assets belonging to another person including securities, or arranging for another person to do so, and custody includes taking the necessary administrative measures. Revenue from custody activities are recognized once the performance obligation is fulfilled based on the agreement between the Company and the counterparty.

3.12 Net gain or loss on financial assets at fair value through profit or loss

Net gains or losses on financial assets at FVPL are changes in the fair value of financial assets held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses on the disposal of financial instruments which were realised in the reporting period. Realised gains and losses represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

3.13 Dividend income

Dividend income is recognised on the date when the Company's right to receive the dividend is established.

3.14 Interest revenue and expense

Interest revenue and expense are recognised in profit or loss for all interest-bearing financial instruments using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Expenses

General and administration expenses are mainly staff costs, professional fees and rent. All other expenses are classified based on their nature in profit or loss.

3.16 Operating lease

Operating lease payments are recognized as expenses in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease. The Company does not have any finance lease arrangements.

3.17 Dividends

Final dividend is recognised as a liability in the Company's financial statements in the period in which it is approved by the Company's shareholders. Interim dividend is recorded as and when approved by the Board of Directors.

4 FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA

For all periods up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with SOCPA GAAP. As detailed in note 2, these financial statements are the Company's first financial statements prepared in accordance with IFRS as endorsed in KSA.

The Company has applied IFRS as endorsed in KSA for the preparation of its financial statements for the year beginning 1 January 2018, as well as presenting the relevant comparative period data. In compliance with the requirements of IFRS 1 as endorsed in KSA, the Company's opening statement of financial position was prepared as at 1 January 2017 (date of Company's transition to IFRS as endorsed in KSA) after incorporating the required adjustments to reflect the transition to IFRS as endorsed in KSA from the previous SOCPA GAAP. The Company has analysed the impact on its total equity as at 1 January 2017 and 31 December 2017, and made adjustments that arose as a result of transitioning from SOCPA GAAP to IFRS as endorsed in KSA.

In preparing its opening IFRS statement of financial position, the Company has analysed the impact, adjusted and reclassified certain balances that were previously reported under SOCPA GAAP.

This note explains how the transition to IFRSs has affected the financial position and financial performance of the Company.

There were no material adjustments to the statement of cash flows as a result of the first-time adoption of IFRS.

IFRS 1 as endorsed in KSA allows first-time adopters certain optional exemptions from the retrospective application of certain requirements under IFRS as endorsed in KSA. The Company has not applied any of those optional exemptions.

Estimates at 1 January 2017 are consistent with those made for the same dates in accordance with SOCPA GAAP (after adjustments to reflect any differences in accounting policies) apart from expected credit losses and employees' defined benefits liabilities where application of SOCPA GAAP did not require estimation. Estimates used by the Company to present the amount in accordance with IFRS as endorsed in KSA reflect conditions at 1 January 2017, the date of transition to IFRS as endorsed in KSA and as at 31 December 2017.

4 FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

4.1 Reconciliation of Company's statement of financial position as at 1 January 2017

	Notes	*SOCPA GAAP SR*	*Transition adjustments SR*	*IFRS as endorsed in KSA as at 1 January 2017 SR*
ASSETS				
NON-CURRENT ASSETS				
Property and equipment, net		2,243,200	-	2,243,200
Intangible assets, net		1,502,514	-	1,502,514
Available for sale investments	4.4 A	24,759,902	(24,759,902)	-
Held to maturity investments	4.4 A	37,507,000	(37,507,000)	-
Investments at amortised cost	4.4 A	-	37,148,346	37,148,346
Investments at fair value through other comprehensive income	4.4 A	-	14,759,002	14,759,002
Deferred tax assets	4.4 C	-	2,772,697	2,772,697
TOTAL NON-CURRENT ASSETS		**66,012,616**	**(7,586,857)**	**58,425,759**
CURRENT ASSETS				
Held to maturity investments	4.4 A	38,536,376	(38,536,376)	-
Loans to customers		673,998	-	673,998
Accounts receivables, prepayments and other assets		20,691,893	-	20,691,893
Investments at amortised cost	4.4 A	-	38,536,376	38,536,376
Investments at fair value through profit or loss	4.4 A	-	10,000,900	10,000,900
Cash and cash equivalents		29,382,812	-	29,382,812
TOTAL CURRENT ASSETS		**89,285,079**	**10,000,900**	**99,285,979**
TOTAL ASSETS		**155,297,695**	**2,414,043**	**157,711,738**
LIABILITIES AND EQUITY				
NON-CURRENT LIABILITIES				
Employee defined benefit liability	4.4 B	5,210,812	898,088	6,108,900
Deferred tax liability	4.4 C	-	61,620	61,620
TOTAL NON-CURRENT LIABILITIES		**5,210,812**	**959,708**	**6,170,520**
CURRENT LIABILITIES				
Accrued expenses and other payables		3,925,544	-	3,925,544
Zakat and income tax payable		318,878	-	318,878
TOTAL CURRENT LIABILITIES		4,244,422	-	4,244,422
TOTAL LIABILITIES		**9,455,234**	**959,708**	**10,414,942**
EQUITY				
Share capital		100,000,000	-	100,000,000
Statutory reserve		10,023,743	-	10,023,743
Retained earnings	4.4A - 4.4 C	35,817,818	609,911	36,427,729
Other reserves	4.4A - 4.4 C	900	844,424	845,324
TOTAL EQUITY		**145,842,461**	**1,454,335**	**147,296,796**
TOTAL LIABILITIES AND EQUITY		**155,297,695**	**2,414,043**	**157,711,738**

4 FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

4.2 Reconciliation of Company's statement of financial position as at 31 December 2017

	Notes	*SOCPA GAAP SR*	*Transition adjustments SR*	*IFRS as endorsed in KSA as at 31 December 2017 SR*
ASSETS				
NON-CURRENT ASSETS				
Property and equipment, net		1,764,607	-	1,764,607
Intangible assets, net		4,387,447	-	4,387,447
Held to maturity investments	4.4 A	91,464,639	(91,464,639)	-
Investment at amortised cost	4.4 A	-	90,591,761	90,591,761
Deferred tax assets	4.4 C	-	4,332,879	4,332,879
TOTAL NON-CURRENT ASSETS		**97,616,693**	**3,460,001**	**101,076,694**
CURRENT ASSETS				
Loans to customers		3,029,785	-	3,029,785
Accounts receivables, prepayments and other assets		16,242,361	-	16,242,361
Cash and cash equivalents		5,085,598	-	5,085,598
TOTAL CURRENT ASSETS		24,357,744	-	24,357,744
TOTAL ASSETS		**121,974,437**	**3,460,001**	**125,434,438**
LIABILITIES AND EQUITY				
NON-CURRENT LIABILITIES				
Employee defined benefit liability	4.4 B	4,167,499	1,185,001	5,352,500
Deferred tax liability	4.4 C	-	25,987	25,987
TOTAL NON-CURRENT LIABILITIES		**4,167,499**	**1,210,988**	**5,378,487**
CURRENT LIABILITIES				
Accrued expenses and other payables		6,412,949	-	6,412,949
Zakat and income tax payable		318,778	-	318,778
TOTAL CURRENT LIABILITIES		6,731,727	-	6,731,727
TOTAL LIABILITIES		**10,899,226**	**1,210,988**	12,110,214
EQUITY				
Share capital		100,000,000	-	100,000,000
Statutory reserve		10,023,743	-	10,023,743
Retained earnings	4.4A – 4.4C	1,051,468	2,145,062	3,196,530
Other reserves	4.4A – 4.4C	-	103,951	103,951
TOTAL EQUITY		**111,075,211**	**2,249,013**	**113,324,224**
TOTAL LIABILITIES AND EQUITY		**121,974,437**	**3,460,001**	**125,434,438**

4. FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

4.3 Reconciliation of Company's total comprehensive income for the year ended 31 December 2017

	Notes	*SOCPA GAAP SR*	*Transition adjustments SR*	*IFRS as endorsed in KSA for the year ended 31 December 2017 SR*
OPERATING INCOME				
Managing income		8,612,283	-	8,612,283
Dealing and brokerage income	4.4 A	11,384,020	597,944	11,981,964
Custody income		2,564,082	-	2,564,082
Arranging income		2,655,000	-	2,655,000
TOTAL OPERATING INCOME		25,215,385	597,944	25,813,329
OPERATING EXPENSES				
General and administration expenses	4.4 B	(35,395,609)	(108,751)	(35,504,360)
NET OPERATING INCOME/(LOSS)		(10,180,224)	489,193	(9,691,031)
Other expenses, net		(94,029)	-	(94,029)
Impairment charge for credit losses	4.4 A	-	(514,224)	(514,224)
LOSS BEFORE ZAKAT AND INCOME TAX		(10,274,253)	(25,031)	(10,299,284)
Zakat and income tax credit	4.4 C	-	3,318,085	3,318,085
LOSS FOR THE YEAR		**(10,274,253)**	**3,293,054**	**(6,981,199)**
Other comprehensive income that may be / are reclassified to profit or loss in subsequent years:				
Changes in FVOCI reserves related to ECL	4.4 A	-	(598,844)	(598,844)
Other comprehensive income not to be reclassified to profit or loss in subsequent years:				
Re-measurement loss on defined benefit plans	4.4 B	-	(178,162)	(178,162)
Deferred tax credit	4.4 C	-	35,633	35,633
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	(741,373)	(741,373)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(10,274,253)**	**2,551,681**	**(7,722,572)**

4. FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

4.4 EXPLANATION OF TRANSITION TO IFRS AS ENDORSED IN KSA

A. IFRS 9 adjustments

The Company made the following reclassifications based on the business model of the Company and the cashflow characteristics of the financial instruments held:

i) Bonds held as held to maturity investments under SOCPA GAAP were reclassified as Investments at amortized costs as per IFRS 9;
ii) Investments in mutual funds held as available for sale investments under SOCPA GAAP have been reclassified as Investments at fair value through profit or loss as per IFRS 9; and
iii) Investments in bonds held as available for sale investments under SOCPA GAAP have been reclassified as Investments at fair value through other comprehensive income as per IFRS 9.
iv) The Company recognised an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

Impact of the above on the financial statements is summarized below:

	Amounts (SR)
Adjustments – As of 1 January 2017	
Investments at fair value through other comprehensive (debit) – (iii) above	14,759,002
Investments at fair value through profit or loss (debit) – (ii) above	10,000,900
Available for sale investments (credit) – (ii and iii) above	(24,759,902)
Other reserves (debit) – (ii) above	900
Retained earnings (credit) – (ii) above	(900)
Retained earnings (debit) – (iv) above	598,844
Other reserves (credit) – (iv) above	(598,844)
Investments at amortized cost (debit) – (i) above	76,043,376
Held to maturity investments (credit) – (i) above	(76,043,376)
Retained earnings (debit) – (iv) above	358,654
Investments at amortized cost (credit) – (iv) above	(358,654)
Adjustments – for the year ended 31 December 2017	
Impairment charge for credit losses (debit) – (iv) above	514,224
Investments at amortised cost (credit)– (iv) above	(514,224)
Investments at amortized cost (debit) – (i) above	15,421,263
Held to maturity investments (credit) – (i) above	(15,421,263)
Other reserves – OCI (debit) – (iv) above	597,944
Dealing income (credit) – (iv) above	(597,944)

4. FIRST TIME ADOPTION OF IFRS AS ENDORSED IN KSA (continued)

4.4 EXPLANATION OF TRANSITION TO IFRS AS ENDORSED IN KSA (continued)

B. Actuarial valuation of employees benefits

Under SOCPA GAAP, the Company recognized costs related to post-employment benefits of employees at the current value of the vested benefits to which an employee was entitled. Under IFRS as endorsed in KSA, such liabilities are recognized on an actuarial basis using the projected unit of credit method. Impact of actuarial valuation on the financial statements is summarized below:

	Amounts (SR)
Adjustments – As of 1 January 2017	
Retained earnings (debit)	1,206,188
Other reserves (credit)	(308,100)
Employee defined benefit liability (credit)	(898,088)
Adjustments – for the year ended 31 December 2017	
General and administration expenses (debit)	108,751
Other reserves - OCI (debit)	178,162
Employee defined benefit liability (credit)	(286,913)

C. Zakat and income tax expense

i) Until 31 December 2017, pursuant to the requirements of SOCPA GAAP, zakat related to the Company was charged to equity. However, as per the requirements of IFRS as endorsed in KSA zakat and tax is now chargeable to profit or loss irrespective of the shareholding structure of the Company. The requirement has no impact on presentation of related liabilities in the statement of financial position as of 1 January 2017 or 31 December 2017 and the only impact is that the related expense for 2017 is now being charged to profit or loss.

	Amounts (SR)
Adjustments – for the year ended 31 December 2017	
Retained earnings (debit)	1,757,903
Zakat and tax - profit or loss (credit)	(1,757,903)

ii) IFRS as endorsed is KSA requires the Company to record deferred tax to the extent it relates to foreign shareholder eligible for taxation. Following the requirement of IAS 12 Income Taxes, the Company noted following impacts to financial statements as of 1 January 2017 and for the year ended 31 December 2017.

	Amounts (SR)
Adjustments – As of 1 January 2017	
Deferred tax asset (debit)	2,772,697
Retained earnings (credit)	(2,772,697)
Other reserves (debit)	61,620
Deferred tax liability (credit)	(61,620)
Adjustments – for the year ended 31 December 2017 (continued)	
Deferred tax asset (debit)	1,560,182
Deferred tax credit for the year – profit or loss (credit)	(1,560,182)
Deferred tax liability (debit)	35,633
Other reserves – OCI (credit)	(35,633)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in accordance with IFRS as endorsed in KSA requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The estimates at 31 December 2018 are consistent with those made as at 1 January 2017 and 31 December 2017 in accordance with SOCPA GAAP apart from the measurement of the expected credit loss allowance, and the measurement of employee defined benefit liabilities. The estimates used by the Company to present these amounts in accordance with IFRS as endorsed in KSA reflect conditions at 1 January 2017, the date of transition to IFRS as endorsed in KSA and as of 31 December 2017.

The key assumptions concerning the future and other key estimates made regarding uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

5.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

5.2 Measurement of employment defined benefit liabilities

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates.

5.3 Impairment of non-financial assets

Property and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or 'CGUs'). Recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

The Company evaluates impairment losses, for potential reversals when events or circumstances warrant such consideration.

5.4 Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

5.5 Useful lives of property and equipment, and intangible assets

The Company's management determines the estimated useful lives of its property and equipment, and intangible assets for calculating depreciation and amortization. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives and residual value of the assets at least annually at the end of each financial year and the future depreciation / amortisation charge would be adjusted prospectively where the management believes the useful lives differ from previous estimates.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are several standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements. The Company has not yet undertaken an assessment to determine the potential impact on the amounts reported and disclosures to be made under the new standards. The Company intends to adopt these standards on their respective mandatory effective dates, if applicable. The following is the summary of new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Deferred indefinitely
Amendments to IFRS 9 Financial Instruments relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • whether tax treatments should be considered collectively; • assumptions for taxation authorities' examinations; • the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • the effects of changes in facts and circumstances	1 January 2019
IFRS 16 Leases IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IAS 28 Investment in Associates and Joint Ventures relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2021
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2022.	1 January 2021

7. CASH AND CASH EQUIVALENTS

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Cash at hand	**29,999**	29,999	45,145
Bank balances	**1,464,076**	5,055,599	6,337,667
Short term time deposits	**6,500,000**	-	23,000,000
	7,994,075	5,085,598	29,382,812

Short term time deposits have original maturity of less than 90 days from the date of acquisition and carry an average interest rate of 2.5% - 3% (1 January 2017: 1.2%) per annum.

8. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 1 January 2017, investments at fair value through other comprehensive income consists of investment in an international bond.

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 1 January 2017, investments at fair value through profit or loss consists of investment in mutual fund.

10. INVESTMENT AT AMORTISED COST

a) Investments held at amortised cost
Investments at amortised cost consists of the following debt instruments:

	Maturity date	***31 December 2018 SR***	*31 December 2017 SR*	*1 January 2017 SR*
Current assets				
Government notes-fixed rate	29 June 2017	**-**	-	38,536,376
		-	-	38,536,376
Non-current assets				
Government notes-fixed rate	26 May 2023	**54,946,444**	54,639,578	37,507,000
Government notes-fixed rate	06 April 2021	**35,705,735**	36,825,061	-
Expected credit losses		**(872,878)**	(872,878)	(358,654)
		89,779,301	90,591,761	37,148,346
Total investments at amortised cost		**89,779,301**	90,591,761	75,684,722

10. INVESTMENT AT AMORTISED COST (continued)

b) Movement in expected credit losses

	SR
Impairment allowance as at 1 January 2017 under SOCPA GAAP	-
IFRS 9 ECL adjustment *(Note 4.4A)*	358,654
Impairment allowance as at 1 January 2017 under IFRS as endorsed in KSA	358,654
Charge for 2017	514,224
Balance as at 31 December 2017	872,878
Charge for 2018	-
Balance as at 31 December 2018	**872,878**

11. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company comprise the shareholders and affiliated companies. The Company enters into transactions with related parties in the normal course of its business.

The following are details of major related party transactions during the year and its balances at the end of the year:

Relationship	*Nature*	*Transactions* 2018 SR	2017 SR
Affiliates	Custody income	**187,590**	314,272
	Dealing income	**301,708**	679,375
	Managing income	**2,994,628**	3,427,299
	General and administration expenses	**(1,047,884)**	(1,431,345)
Shareholders	Custody income, net	**472,499**	(14,260)
	Dealing income	**3,031,405**	2,037,316
	Managing income, net	**(76,688)**	(105,537)

The remuneration to the Board of Directors, Audit committee and key management personnel is as follows:

	2018 *SR*	*2017* *SR*
Board of Directors meeting attendance fees	**200,000**	200,000
Audit Committee meeting attendance fees	**200,000**	200,000
Key management personnel	**4,894,322**	10,514,123

Relationship	*Nature*	*31 December 2018 SR*	*Balances* *31 December 2017 SR*	*1 January 2017 SR*
Affiliates	Cash and cash equivalents	**57,503**	191,865	142,041
	FVPL investment	-	-	10,000,900
	FVOCI investment	-	-	14,160,158
	Accounts receivables, prepayments and other assets	**619,648**	410,477	4,512,661
	Accrued expenses and other payables	**157,040**	116,771	82,839
Shareholders	Cash and cash equivalents	**25,110**	1,069,860	1,484,325
	Accounts receivables, prepayments and other assets	**5,576,797**	1,709,025	52,732
	Accrued expenses and other payables	**1,325,618**	1,076,378	968,388

12. PROPERTY AND EQUIPMENT, NET

For the year ended 31 December 2018	*Furniture, fixtures and improvements SR*	*Office equipment and computers SR*	*Motor vehicles SR*	*Total SR*
Cost:				
At the beginning of the year	7,280,773	8,678,652	139,700	**16,099,125**
Additions during the year	86,156	36,845	-	**123,001**
At the end of the year	7,366,929	8,715,497	139,700	**16,222,126**
Accumulated depreciation:				
At the beginning of the year	6,346,835	7,847,983	139,700	**14,334,518**
Depreciation charge for the year	206,684	478,298	-	**684,982**
At the end of the year	6,553,519	8,326,281	139,700	**15,019,500**
Net book amounts:				
At 31 December 2018	813,410	389,216	-	**1,202,626**

12. PROPERTY AND EQUIPMENT, NET (continued)

For the year ended 31 December 2017	*Furniture, fixtures and improvements* *SR*	*Office equipment and computers* *SR*	*Motor vehicles* *SR*	*Total* *SR*
Cost:				
At the beginning of the year	7,318,800	8,326,324	139,700	15,784,824
Additions during the year	-	352,328	-	352,328
Disposals during the year	(38,027)	-	-	(38,027)
At the end of the year	7,280,773	8,678,652	139,700	16,099,125
Accumulated depreciation:				
At the beginning of the year	6,070,599	7,346,941	124,084	13,541,624
Depreciation charge for the year	283,776	501,042	15,616	800,434
Relating to disposals	(7,540)	-	-	(7,540)
At the end of the year	6,346,835	7,847,983	139,700	14,334,518
Net book amounts:				
At 31 December 2017	933,938	830,669	-	1,764,607
At 1 January 2017	1,248,201	979,383	15,616	2,243,200

13. INTANGIBLE ASSETS, NET

Intangible assets comprise of software that is depreciated on a straight line basis over an estimated useful life of 4 years.

	31 December 2018 SR	*31 December 2017 SR*
Cost		
At the beginning of the year	**11,607,536**	7,737,724
Additions during the year	**370,648**	3,869,812
At the end of the year	**11,978,184**	11,607,536
Accumulated amortization		
At the beginning of the year	**7,220,089**	6,235,210
Amortization charge for the year	**1,585,393**	984,879
At the end of the year	**8,805,482**	7,220,089
Net book value		
At the end of year	**3,172,702**	4,387,447
As at 1 January 2017		1,502,514

14. ZAKAT AND INCOME TAX

Charge/ (credit) for the year:

	2018 SR	*2017 SR*
Zakat	**281**	253
Current income tax	**663,858**	(1,758,156)
Prior year adjustment	**(275,960)**	-
Deferred tax	**271,000**	(1,560,182)
Zakat and income tax charged /(credited) to profit or loss	**659,179**	(3,318,085)
Deferred tax charged/ (credited) to OCI	**213,566**	(35,633)

14. ZAKAT AND INCOME TAX (continued)

a) Zakat

The zakat charge amounting to SR 281 (2017: SR 253) represents provision for the current year.

	2018 *SR*	*2017* *SR*
Share capital	**100,000,000**	100,000,000
Retained earnings	**3,196,530**	35,817,818
Statutory reserve	**10,023,743**	10,023,743
Provisions	**4,512,654**	3,081,250
Other reserve	**103,951**	-
	117,836,878	148,922,811
Book value of non-current assets	**(11,379,297)**	(12,914,353)
Dividend	**-**	(26,250,000)
	106,457,581	109,758,458
Adjusted income for the year	**5,962,146**	(8,758,023)
Zakat base	**112,419,727**	101,000,435
Saudi shareholders' share of the zakat base at 0.01% (2017: 0.01%)	**11,242**	10,100
Zakat charge at 2.5%	**281**	253

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

	2018 *SR*	*2017* *SR*
At the beginning of the year	**288**	388
Charge for the year	**281**	253
Paid during the year	**(253)**	(353)
At the end of the year	**316**	288

b) Income tax

Charge for the year
During the current year, the Company provided for income tax of SR 387,898 (2017: SR Nil), relating to the non-Saudi shareholders' holding of 99.99% (2017: 99.99%) of the share capital.

Movements in provision during the year

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

	2018 *SR*	*2017* *SR*
At the beginning of the year	**318,490**	318,490
Charge for the year	**663,858**	-
Prior year adjustment	**(275,960)**	-
At the end of the year	**706,388**	318,490

14. ZAKAT AND INCOME TAX (continued)

c) Deferred tax

	31 December **2018** *SR*	*31 December 2017 SR*	*1 January 2017 SR*
Deferred tax asset- profit or loss			
Employee defined benefit liability	**1,075,653**	1,096,487	1,283,400
Carried forward taxable losses	**1,585,431**	1,883,931	132,502
Property and equipment	**1,400,795**	1,352,461	1,356,795
	4,061,879	4,332,879	2,772,697
Deferred tax liability- OCI			
Employee defined benefit liability	**239,553**	25,987	61,620

d) Status of assessment

During 2018, the Company received assessments from the General Authority of Zakat and Tax (the "GAZT") for the years 2009 to 2012 resulting in additional zakat and tax liabilities amounting to SR 4,208,606. The Company has filed an appeal providing its detailed arguments against such assessments and the Company's management believes that there will be no additional tax and Zakat liabilities. Accordingly, no additional provision is made in these financial statements.

Subsequent to the year end, during 2019, the Company received assessments from the General Authority of Zakat and Tax (the "GAZT") for the years 2013 to 2015 resulting in additional zakat and tax liabilities amounting to SR 5,705,491. The Company has filed an appeal providing its detailed arguments against such assessments and the Company's management believes that there will be no additional tax and Zakat liabilities. Accordingly, no additional provision is made in these financial statements.

On 26 July 2017, HAC issued its resolution in response to Company's appeals relating to assessments for the years 2007 and 2008 in favor of the Company for almost all of the disputed items which resulted in a revised assessment issued by the GAZT resulting in a refund of SR 5,272,130. Previously, the Company, based on its internal assessment, had only accounted for an advance tax amounting to SR 3,513,974 and therefore the Company recorded an additional tax credit of SR 1,758,156 during 2017. Accordingly, the tax position for the year 2007 and 2008 was concluded as per the revised assessment issued by GAZT based on its letter no. 11973/16/1439 dated 1/4/1439 corresponding to 19 December 2017. In addition, the Company has an advance tax payment of SR 1,056,808 paid during 2015. Therefore, the total advance tax asset as of 31 December 2018 amounts to SR 6,328,938 (31 December 2017: SR 6,328,938; 1 January 2017: 4,570,782).

The GAZT has not yet finalized the assessments for the years 2016 and 2017.

15. LOANS TO CUSTOMERS

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Loans to customers	**3,174,144**	3,029,785	673,998

Loans to customers represent securities lending transactions as allowed by the CMA. These are short term loans to individuals bearing average annual interest at 4.8% (2017: 4.3%). The repayment period is 6 months and the loans are secured by local equities and units in open-ended funds provided by the customers. The ECL related to loans to customers is insignificant and therefore management has not recorded such ECL in these financial statements.

16. ACCOUNTS RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Management and advisory fees receivable	**10,589,484**	6,370,570	10,026,209
Advance income tax/ tax refund receivable (note 14)	**6,328,938**	6,328,938	4,570,782
Accrued special commission income	**965,501**	965,295	507,889
Prepaid charges	**918,932**	1,065,038	1,631,039
Advances to staff	**810,002**	1,080,375	2,402,227
Advances for acquisition of intangible assets	**-**	93,002	1,200,224
Others	**293,195**	339,143	353,523
	19,906,052	16,242,361	20,691,893

17. EMPLOYEE DEFINED BENEFIT LIABILITIES

The movement in provision for end-of-service benefits for the year ended as follows:

	31 December 2018 SR	*31 December 2017 SR*
Balance at beginning of the year	**5,352,500**	6,108,900
Charge for the year	**1,054,200**	1,195,000
Actuarial (gain)/loss	**(1,067,800)**	178,162
Paid during the year	**(1,158,400)**	(2,129,562)
Balance at the end of the year	**4,180,500**	5,352,500
The charge for the year in profit or loss comprises:		
Current service cost	**840,100**	950,600
Interest on obligation	**214,100**	244,400
	1,054,200	1,195,000

The above is based on actuarial valuation carried out by the Company using the projected unit credit method.

Significant actuarial assumptions

The following were the principal actuarial assumptions used in the actuarial valuation:

	31 December 2018	*31 December 2017*
Financial assumptions		
Discount rate	**4.50%**	4%
Salary growth rate	**3.75%**	3% - 4.25%
Demographic assumptions		
Retirement age	**60 years**	60 years

18. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Accrued expenses	**2,739,038**	3,719,303	2,420,108
Accounts payables and others	**2,458,499**	1,493,646	1,386,881
Accrued staff bonus	**1,036,500**	1,200,000	118,555
	6,234,037	6,412,949	3,925,544

19. SHARE CAPITAL

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Ordinary shares (SR 10 per share)	**100,000,000**	100,000,000	100,000,000

The Company's authorised share capital of SR 100 million (31 December 2017: SR 100 million; 1 January 2017: SR 100 million) is divided into 10 million shares (31 December 2017: 10 million shares; 1 January 2017: 10 million shares) of SR 10 each, which is wholly paid.

During 2017, the Company declared and paid dividends of SR 2.625 per share totalling SR 26,250,000 to its shareholders.

20. STATUTORY RESERVE

As required by the Saudi Arabian Regulations for Companies, the Company must transfer 10% of the net income for the year (after deducting losses brought forward) to a statutory reserve till it has built up a reserve equal to 30% of the capital. The reserve is not available for distribution.

21. DEALING AND BROKERAGE INCOME

	31 December 2018 SR	*31 December 2017 SR*
Brokerage income	**7,150,978**	5,764,851
Special commission income	**5,720,204**	6,373,017
Loss on disposal of investments	-	(155,904)
	12,871,182	11,981,964

22. OTHER INCOME / (EXPENSES), NET

	31 December 2018 SR	*31 December 2017 SR*
Foreign exchange gains/(losses), net	**16,182**	(71,394)
Loss on disposal of property and equipment	-	(22,635)
Other income	**93,787**	-
	109,969	(94,029)

23. GENERAL AND ADMINISTRATION EXPENSES

	31 December 2018 SR	*31 December 2017 SR*
Employee costs	**16,601,243**	22,902,881
Depreciation and amortisation expense (notes 12 and 13)	**2,270,375**	1,785,313
Legal and professional fees	**1,473,283**	3,643,704
IT related expenses	**1,496,817**	1,222,847
Rent and utility expenses	**1,622,369**	1,890,455
Travel and related expenses	**529,109**	700,242
Board of Directors' and Audit Committee remuneration	**400,000**	400,000
Other	**2,749,441**	2,958,918
	27,142,637	35,504,360

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of financial assets, other than cash and cash equivalents, held by the Company as at 31 December 2018, 31 December 2017, and 1 January 2017.

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Financial assets at amortised cost			
Investments at amortised cost	**89,779,301**	90,591,761	75,684,722
Loans to customers	**3,174,144**	3,029,785	673,998
Accounts receivable and other assets	**12,658,182**	8,755,383	13,289,848
Financial assets at fair value through OCI	-	-	14,160,158
Financial assets at fair value through profit or loss	-	-	10,000,900
Total current	**15,832,326**	11,785,168	62,501,122
Total non-current	**89,779,301**	90,591,761	51,308,504

Set out below is an overview of financial liabilities held by the Company as at 31 December 2018, 31 December 2017, and 1 January 2017.

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Financial liabilities at amortised cost			
Accrued expenses and other payables	**6,234,037**	6,412,949	3,925,544
Total financial liabilities at amortised cost	**6,234,037**	6,412,949	3,925,544
Total current	**6,234,037**	6,412,949	3,925,544
Total non-current	-	-	-

25. ASSETS UNDER MANAGEMENT

These represent funds invested by the Company on behalf of its customers under a fiduciary arrangement. The investments are made in different financial instruments such as time placements, equity instruments, mutual funds and bonds. These amounts are summarized below:

31 December 2018	*Cash SR*	*Funds SR*	*Bonds SR*	*Equities SR*	*Total SR*
Advisory Clients	397,787,948	176,711,350	582,441,595	1,236,364,003	**2,393,304,896**
Managed Mutual Funds	19,515,788	-	-	144,348,863	**163,864,651**
Discretionary Clients	152,927,730	-	-	742,970,586	**895,898,316**
	570,231,466	**176,711,350**	**582,441,595**	**2,123,683,452**	**3,453,067,863**
31 December 2017					
Advisory Clients	122,257,398	150,286,915	550,221,059	1,577,474,134	**2,400,239,506**
Managed Mutual Funds	32,896,622	6,517,850	1,790,214	115,267,481	**156,472,167**
Discretionary Clients	21,625,489	14,385,678	-	463,897,266	**499,908,433**
	176,779,509	**171,190,443**	**552,011,273**	**2,156,638,881**	**3,056,620,106**
1 January 2017					
Advisory Clients	224,739,467	420,114,174	521,754,440	2,178,246,625	**3,344,854,706**
Managed Mutual Funds	66,490,853	204,255,071	-	231,483,803	**502,229,727**
Discretionary Clients	183,110,025	22,205,676	-	626,320,702	**831,636,403**
	474,340,345	**646,574,921**	**521,754,440**	**3,036,051,130**	**4,678,720,836**

Pledge to third party
Certain customers have pledged their investments, amounting to SR 331,900,530 as at 31 December 2018 (2017: SR 454,676,198), against their borrowings from the Company and from third parties.

26. FAIR VALUE

As at 31 December 2018 and 31 December 2017, the Company has no financial assets or liabilities that are measured at fair values. As at 1 January 2017, investments at fair value through profit or loss and investments at fair value through other comprehensive income were carried at fair value and were categorized under level 2 of fair value hierarchy.

Other than the above and the investments carried at amortized cost, the fair values of all other financial assets and liabilities carried are not significantly different from their carrying amounts. The fair values of investments at amortized cost amounts to SR 78,504,930 (31 December 2017: SR 88,745,683; 1 January 2017: 75,086,641) and these are classified within level 2 of the fair value hierarchy.

27. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Introduction
The Company's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to market risk (which includes interest rate risk, currency risk and equity price risk), liquidity risk, operational risk and credit risk arising from the financial instruments it holds.

Risk management structure
The Company's Board of Directors is ultimately responsible for the overall risk management of the Company.

Risk measurement and reporting system
The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on scenario analysis. The models make use of various stress testing and scenario analysis in order to report assumptions and results.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Company is willing to accept and the market environment of the Company. In addition, the Board monitors and measures the overall risk in relation to the aggregate risk exposure across all risk type and activities.

Risk mitigation
The Company has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

Excessive risk concentration
Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment committee is instructed to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

Credit risk
Credit risk refers to the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of performing a risk assessment as well as obtaining the clearance from Company's financial institutions before entering in any relationship with the counterparty. The assessments are reviewed at least yearly. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific non-related counterparties, and continually assessing the creditworthiness of such non-related counterparties. The Company maintains bank accounts with high credit rated financial institutions.

27. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The table below shows the Company's maximum exposure to credit risk for components of the statement of financial position.

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Loans to customers	**3,174,144**	3,029,785	673,998
Accounts receivable and other assets	**12,658,182**	8,755,383	13,289,848
Investments at amortised cost	**89,779,301**	90,591,761	75,684,722
Investments at fair value through other comprehensive income	-	-	14,160,158
Cash equivalents	**7,964,076**	5,055,599	29,337,667
	113,575,703	107,432,528	133,146,393

Cash equivalents

Credit risk on cash equivalents is limited as these balances are held with banks with sound credit ratings.

Credit concentration

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

No significant concentrations of credit risk were identified by the management as at the reporting date other than the portfolio of investments at amortized costs which consists entirely of Lebanese government bonds.

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. Liquidity risk is managed by ensuring that sufficient funds are available from shareholders and related parties at all times to meet any future commitments, and financing facilities are available. The financial liabilities comprise the accrued expenses and other payables and these are due within one year. The undiscounted values of financial liabilities of the Company at the reporting date are approximately same as their carrying values.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the interest gaps for stipulated periods. The Company's investments in debt securities and bank deposits carry fixed interest rates and are carried at amortized costs and accordingly management believes that the Company is not exposed to any significant interest rate risk.

Equity price risk

The value of equity investments is 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. As at 1 January 2017, 31 December 2017 and 31 December 2017, the Company has no equity instruments hence is not subject to such risk.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company does not have any significant exposure to currency risk, as all its significant monetary assets and monetary liabilities are denominated in Saudi Riyals and US Dollars. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars during the year and Saudi Riyals is pegged to the US Dollars.

28. COMMITMENTS AND CONTINGENCIES

As of 31 December 2018, the Company in the capacity of a lessee, has ongoing rental agreements for its offices amounting to SR 1,069,200 (2017: SR 1,077,000) due in one year and SR 2,138,400 (2017: SR 3,231,000) due in the next 2 years.

29. SUBSEQUENT EVENTS

There have been no significant subsequent events since 31 December 2018 that would have a material impact on the financial position or financial performance of the Company as reflected in these financial statements.

30. CAPITAL ADEQUACY

The capital base, minimum capital requirement and capital adequacy ratio of the Company as per the CMA's Prudential Rules are as follows:

	31 December 2018 ***SR 000***	*31 December 2017* *SR 000*	*1 January 2017* *SR 000*
Capital base			
Tier I	**110,695**	106,688	144,339
Tier II	-	-	1
Total Capital Base	**110,695**	106,688	144,340
Minimum capital Requirement:			
Market risk	**1,945**	1,962	6,590
Credit risk	**75,821**	82,399	67,315
Operational risk	**6,786**	8,849	7,910
Total Minimum Capital Required	**84,552**	93,210	81,815
Capital adequacy ratio			
Total Capital Ratio (times)	**1.31**	1.14	1.76
Tier 1 Capital Ratio (times)	**1.31**	1.14	1.76
Surplus	**26,143**	13,478	62,525

a) The capital base consists of Tier 1 capital (which includes share capital, statutory reserve, audited retained earnings less intangible assets and deferred tax assets) and Tier 2 capital (included unrealized gain on financial assets at fair value through other comprehensive income/available for sale investments) as per article 4 and 5 of the Prudential Rules. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules.

b) The Company manages its capital base in light of Pillar I and Pillar II of the Prudential Rules. The capital base should not be less than the minimum capital requirement.

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

d) No changes were made in the objectives, policies or processes for managing capital during the current and prior year.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 27 March 2019 (corresponding to 20 Rajab 1440H)