SAUDI ECONOMIC AND DEVELOPMENT SECURITIES COMPANY (SEDCO CAPITAL)
(Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018
with
INDEPENDENT AUDITORS' REPORT

SAUDI ECONOMIC AND DEVELOPMENT SECURITIES COMPANY (SEDCO CAPITAL)
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018
(Expressed in Saudi Arabian Riyals)

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

Independent auditors' report

To the Shareholders of Saudi Economic and Development Securities Company

Opinion

We have audited the consolidated financial statements of Saudi Economic and Development Securities Company ("the Company") (and its subsidiaries) ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

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 consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Independent auditors' report

To the Shareholders of Saudi Economic and Development Securities Company (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG

Independent auditors' report

To the Shareholders of Saudi Economic and Development Securities Company (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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 of Saudi Economic and Development Securities Company ("the Company") (and its subsidiaries) ("the Group").

For KPMG Al Fozan & Partners
Certified Public Accountants

Nasser Ahmed Al Shutairy
License No. 454

Jeddah, 12 Rajab 1440H
Corresponding to 19 March 2019

كي بي إم جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
C.R. 46
KPMG
س ت رقم : ٤٦
Certified Public Accountants
KPMG Al Fozan & Partners

SAUDI ECONOMIC AND DEVELOPMENT SECURITIES COMPANY (SEDCO CAPITAL)
(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2018
(Expressed in Saudi Arabian Riyals)

	Notes	**December 31, 2018**	December 31, 2017	January 1, 2017
ASSETS				
Financial investments	*4*	**127,510,875**	59,813,294	62,883,026
Property and equipment	*5*	**2,856,260**	3,149,332	2,588,249
Intangible assets	*6*	**3,630,574**	105,750	154,862
Non-current assets		**133,997,709**	63,068,376	65,626,137
Financial investments	*4*	**57,569,348**	56,656,040	48,000,000
Prepayments and other current assets	*7*	**10,766,977**	47,645,537	5,769,048
Accounts receivable and accrued income	*8*	**41,679,982**	44,935,387	31,242,501
Murabaha investments at amortized cost		**79,306,200**	--	25,000,000
Cash and cash equivalents	*9*	**103,383,770**	103,986,629	100,529,681
		292,706,277	253,223,593	210,541,230
Assets held for sale	*10*	**3,750,000**	56,695,191	56,695,191
Total current assets		**296,456,277**	309,918,784	267,236,421
Total assets		**430,453,986**	372,987,160	332,862,558
EQUITY AND LIABILITIES				
Equity:				
Share capital	*11*	**200,000,000**	200,000,000	200,000,000
Statutory reserve	*12*	**16,105,159**	12,036,166	8,209,689
Unrealized gain /(loss) on financial investments		**--**	274,104	(290,110)
Exchange translation reserve		**(29,695)**	20,901	(57,216)
Retained earnings		**112,574,495**	86,222,853	63,282,316
Equity attributable to owners of the Company		**328,649,959**	298,554,024	271,144,679
Non-controlling interests		**12,273,330**	7,690,018	6,752
Total equity		**340,923,289**	306,244,042	271,151,431
Non-current liability				
Employees' end of service benefits	*13*	**14,081,000**	15,186,000	13,918,000
Current liabilities:				
Accounts payable, accrual and other current liabilities	*14*	**66,010,511**	42,199,789	39,486,229
Accrued Zakat and Tax	*18*	**9,439,186**	9,357,329	8,306,898
Total current liabilities		**75,449,697**	51,557,118	47,793,127
Total liabilities		**89,530,697**	66,743,118	61,711,127
Total equity and liabilities		**430,453,986**	372,987,160	332,862,558

The accompanying notes 1 to 29 form an integral part of these consolidated financial statements

SAUDI ECONOMIC AND DEVELOPMENT SECURITIES COMPANY (SEDCO CAPITAL)
(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2018
(Expressed in Saudi Arabian Riyals)

	Notes	**2018**	2017
Operating income:			
- Fee from services	*15*	**153,513,825**	150,507,242
- Income from investments	*16*	**22,376,265**	10,397,936
Total operating income		**175,890,090**	160,905,178
Operating expenses:			
Salaries and employees related expenses		**(70,969,423)**	(70,317,870)
Investment management fee		**(16,712,889)**	(23,398,233)
General and administrative expenses	*17*	**(29,894,795)**	(22,069,626)
Losses on properties held for sale		**(973,784)**	--
Marketing expenses		**(3,340,341)**	(2,074,979)
Total operating expenses		**(121,891,232)**	(117,860,708)
Net operating income		**53,998,858**	43,044,470
Other income		**58,942**	1,090,195
Foreign exchange loss and other expenses, net		**(626,197)**	(1,164,093)
Net profit before Zakat and income-tax		**53,431,603**	42,970,572
Zakat and income-tax	*18*	**(7,423,024)**	(6,997,294)
Net profit for the year		**46,008,579**	35,973,278
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
- Re-measurement of employees’ end of service benefits		**1,722,210**	(323,000)
Items that are or may be reclassified to profit or loss			
- Net change in fair value of availale for sale investments		**--**	564,214
- Net movement in exchange translation reserve		**(50,596)**	78,117
Total comprehensive income for the year		**47,680,193**	36,292,609
Net profit attributable to:			
- Owners of the Company		**40,689,932**	36,004,299
- Non-controlling interests		**5,318,647**	(31,021)
Total comprehensive income attributable to:			
- Owners of the Company		**1,671,614**	319,331
- Non-controlling interests		**--**	--

The accompanying notes from 1 to 29 form an integral part of these consolidated financial statements

SAUDI ECONOMIC AND DEVELOPMENT SECURITIES COMPANY (SEDCO CAPITAL)
(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2018
(Expressed in Saudi Arabian Riyals)

	Attributable to owners of the Company							
	Share capital	Statutory reserve	Unrealized (loss) / gain on financial investments	Exchange translation reserve	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Balance as at January 1, 2018	**200,000,000**	**12,036,166**	**274,104**	**20,901**	**86,222,853**	**298,554,024**	**7,690,018**	**306,244,042**
Impact of adoption of IFRS 9 (Note 28)	--	--	(274,104)	--	(512,079)	(786,183)	--	(786,183)
Balance as at January 1, 2018 (as restated)	**200,000,000**	**12,036,166**	**--**	**20,901**	**85,710,774**	**297,767,841**	**7,690,018**	**305,457,859**
Net profit for the year	--	--	--	--	40,689,932	40,689,932	5,318,647	46,008,579
Other comprehensive income for the year	--	--	--	(50,596)	1,722,210	1,671,614	--	1,671,614
Total comprehensive income for the year	**--**	**--**	**--**	**(50,596)**	**42,412,142**	**42,361,546**	**5,318,647**	**47,680,193**
Transfer to statutory reserve	--	4,068,993	--	--	(4,068,993)	--	--	--
Acquisiton of investee during the year	--	--	--	--	--	--	357,621	357,621
Transactions with owners of the Company								
Dividend paid	--	--	--	--	(11,479,428)	(11,479,428)	(1,092,956)	(12,572,384)
Balance as at December 31, 2018	**200,000,000**	**16,105,159**	**--**	**(29,695)**	**112,574,495**	**328,649,959**	**12,273,330**	**340,923,289**

The accompanying notes from 1 to 29 form an integral part of these consolidated financial statements

SAUDI ECONOMIC AND DEVELOPMENT SECURITIES COMPANY (SEDCO CAPITAL)
(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended December 31, 2018
(Expressed in Saudi Arabian Riyals)

	Attributable to owners of the Company							
	Share capital	Statutory reserve	Unrealize (loss) / gain on financial investments	Exchange translation reserve	Retained Earnings	Total shareholders' equity	Non-controlling interests	Total equity
Balance as at January 1, 2017	**200,000,000**	**8,193,583**	**(290,110)**	**--**	**63,742,252**	**271,645,725**	**--**	**271,645,725**
Effect of transition to IFRS (note 27)	--	16,106	--	(57,216)	(459,936)	(501,046)	6,752	(494,294)
Balance as at January 1, 2017 (as restated)	**200,000,000**	**8,209,689**	**(290,110)**	**(57,216)**	**63,282,316**	**271,144,679**	**6,752**	**271,151,431**
Net profit for the year	--	--	--	--	36,004,299	36,004,299	(31,021)	35,973,278
Other comprehensive income for the year	--	--	564,214	78,117	(323,000)	319,331	--	319,331
Total comprehensive income for the year	**--**	**--**	**564,214**	**78,117**	**35,681,299**	**36,323,630**	**(31,021)**	**36,292,609**
Transfer to statutory reserve	--	3,826,477	--	--	(3,826,477)	--	--	--
Gain on disposal of shares without losing control	--	--	--	--	1,285,715	1,285,715	7,714,287	9,000,002
Transactions with owners of the Company								
Dividend paid	--	--	--	--	(10,200,000)	(10,200,000)	--	(10,200,000)
Balance as at December 31, 2017 (as restated)	200,000,000	12,036,166	274,104	20,901	86,222,853	298,554,024	7,690,018	306,244,042

The accompanying notes from 1 to 29 form an integral part of these consolidated financial statements

SAUDI ECONOMIC AND DEVELOPMENT SECURITIES COMPANY (SEDCO CAPITAL)
(A Saudi Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2018
(Expressed in Saudi Arabian Riyals)

	Notes	**2018**	2017
Cash flow from operating activities:			
Net profit before Zakat and income tax		**53,431,603**	42,970,572
Adjustments to reconcile net profit before zakat and income tax to net cash from operating activities:			
Depreciation		**905,178**	797,409
Amortization		**44,386**	51,137
Unrealized gain on financial investments		**(6,263,252)**	(1,220,254)
Impairment of assets held for sale		**973,784**	--
Gain on disposal of assets held for sale		**(6,903,593)**	--
Provision for doubtful receivables		**3,057,034**	--
Provision for employees' end of service benefits		**3,097,000**	2,821,000
Loss on disposal of property and equipment		**--**	1,056
Changes in operating assets and liabilities:			
Accounts receivable and accrued income		**2,224,688**	(13,692,886)
Prepayments and other current assets		**34,066,061**	(41,876,489)
Accounts payable, accruals and other current liabilities		**23,810,720**	2,713,560
Net cash generated from / (used in) operations		**108,443,609**	(7,434,895)
Employees' end of service benefits paid		**(2,479,800)**	(1,876,000)
Zakat and income-tax paid		**(7,341,168)**	(5,946,863)
Net cash generated from / (used in) operating activities		**98,622,641**	(15,257,758)
Cash flow from investing activities:			
Investment in murabaha deposits		**(79,306,200)**	25,000,000
Purchase of financial investments		**(62,347,625)**	(3,801,837)
Proceeds from disposal of assets held for sale		**58,875,000**	--
Transactions with non-controlling interest		**(735,335)**	8,999,999
Purchase of property and equipment		**(612,658)**	(1,359,548)
Purchase of intangible assets		**(3,568,658)**	(2,025)
Net cash (used in) / generated from investing activities		**(87,695,476)**	28,836,589
Cash flow from financing activities:			
Dividends paid		**(11,479,428)**	(10,200,000)
Net (decrease) / increase in cash and cash equivalents		**(552,263)**	3,378,831
Cash and cash equivalents at the beginning of the year		**103,986,629**	100,529,681
Exchange translation adjustment		**(50,596)**	78,117
Cash and cash equivalents at the end of the year		**103,383,770**	103,986,629

(Expressed in Saudi Riyals)

1. REPORTING ENTITY

Saudi Economic and Development Securities Company (SEDCO Capital); ("the Company") is a Saudi Closed Joint Stock Company registered in Jeddah under Commercial Registration number 4030194994 on 1 Thul-Hujja 1430 (November 18, 2009). The Company obtained the approval of the Ministery of Commerce and Industry via Decree number 328/K, dated 1 Thul-Hujja 1430 (November 18, 2009) to establish the Company.

The Company is an Authorised Person as defined in the authorised persons regulations issued by the Capital Market Authority. The principal activities of the Company are managing, arranging, advising, dealing and custody services with respect to the financial securities business as per license issued by the Capital Market Authority (CMA) number 09135-36 dated 23 Rabi'II 1430 (April 19, 2009) and number 11157-37 dated 3 Thul-Hujja 1430 (October 30, 2011).

The Company's principal place of business is Jeddah.

This is the first year of consolidated financial statements (refer note 27) and the Company also prepares a separate set of standalone financial statement.

These consolidated financial statements comprise of the financial statements of the Company and its subsidiaries (together referred to as the 'Group'). The Company has the following subsidiaries as at December 31, 2018:

Name of the subsidiary	Country of incorporation	Effective Ownership interest (%) December 31, 2018	December 31, 2017
Saudi Economic and Development Company for Real Estate Funds	Saudi Arabia	**95%**	95%
Saudi Economic and Development Company for Real Estate Funds I	Saudi Arabia	**95%**	95%
SEDCO Capital UK Limited	United Kingdom	**100%**	100%
SEDCO Capital Luxembourg S.A	Luxembourg	**100%**	100%
SEDCO Capital Cayman Limited	Cayman Island	**100%**	100%
SC Sentinel Limited	Cayman Island	**64%**	64%
Elite Flexi Saudi Equities Fund	Saudi Arabia	**96.5%**	--

On December 4, 2018, the Company acquired 96.5% ownership interest Elite Flexi Saudi Equities Fund. The following table summarizes assets and liabilities of the Fund at the date of acquisition:

ASSETS:	
Cash and cash equivalents	1,283,818
financial investments	9,834,126
	11,117,944
LIABILITIES:	
Accrued expenses and other current liabilities	**(755,250)**
Net assets transferred	**10,362,694**
Ownership interest acquired	96.5%
Effective share in net assets	10,000,000
Consideration	10,000,000

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA).

For all periods upto and including the year ended December 31, 2017, the Group has prepared and presented statutory financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA), the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the financial statements.

For financial periods commencing January 1, 2018, the applicable regulations require the Company to prepare and present financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia (referred to as “IFRS”). In preparing these financial statements, the Group's opening statement of consolidated financial position was prepared as at January 1, 2017, which is the Group's date of transition to IFRS (the “transition”). The consolidated financial statements include certain disclosures in relation to the explanation of the effects of the transition, including the exceptions / exemptions applied as stipulated under IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The Group has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

An explanation of how the transition to IFRSs has affected the reported financial position of the Group is provided in note 27, which includes reconciliation of equity at the date of transition, between the pre-convergence GAAP financial numbers (as previously reported) and those reported under IFRS.

(b) Basis of measurement

These consolidated financial statements have been prepared using the accrual basis of accounting and the going concern assumption under the historical cost convention except for financial investment at FVTPL/FVOCI (2017: available-for-sale and held for trading investments) at fair value and employee benefits which are recognized at the present value of future obligations using Projected Credit Unit Method.

(c) Functional and presentation currency

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

2. BASIS OF PREPARATION (continued)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended December 31, 2018 (note 1). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent company and to the non-controlling interests. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2. BASIS OF PREPARATION (continued)

(e) Significant accounting judgements,estimates and assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and accompanying disclosures and disclosures of contingent liabilities. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revision to accounting estimates are recognized in the period in which the estimate is revised and any future period affected.

(f) Critical accounting judgments and estimates

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

(i) End of service benefits
The cost of the defined benefit plan (end of service benefits) and the present value of the end of service benefits obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are continuously and consistently reviewed.

(ii) Impairment of non-financial assets
The Group reviews the carrying amounts of non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use.

Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of profit or loss and other comprehensive income.

(iii) Determination of transaction price
The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses and estimates the impact of any variable consideration in the contract. In determining transaction price the Group assesses whether the transaction price is constrained because of high susceptibility of the amount of transaction on factors which are outside the entity's control and uncertainty about the amount of consideration.

2. BASIS OF PREPARATION (continued)

(f) Critical accounting judgments and estimates (continued)

(iv) Impairment of accounts and other receivable

(For periods before January 1, 2018)
A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

(From financial periods beginning January 01, 2018)
The Group follows an expected credit loss ("ECL") model for the impairment of trade and other receivables, this requires the Group to take into consideration certain estimates for forward looking factors while calculating the probability of default.

(v) Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

(vi) Useful life and residual value of property and equipment

The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value, depreciation method and useful lives annually and future depreciation charges are adjusted where management believes these differ from previous estimates.

(vii) Impairment in available for sale investments (for periods before January 1, 2018)

The Group exercises judgment to calculate the impairment loss on available for sale investments. This includes the assessment of objective evidence which causes another than temporary decline in the value of investments. In case of equity instruments any significant or prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for the impairment. The determination of what is 'significant' and 'prolonged' requires management judgment.

2. BASIS OF PREPARATION (continued)

(f) Critical accounting judgments and estimates (continued)

(viii) Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the implementation (the “Implementation”) of IFRS 9 and IFRS 15 by the Group for financial periods commencing January 1, 2018. The Implementation details are as follows:

a. IFRS 9 – Financial instruments

The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from pre-convergence GAAP Financial Instruments: Recognition and Measurement (the previous accounting standard for recognition and measurement of financial instruments applied in drawing up the financial numbers upto December 31, 2017). The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Key impact on the Group's accounting policies resulting from its adoption of IFRS 9 are summarized below:

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (“AC”), fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). This classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing pre-convergence GAAP categories of held for trading, held to maturity and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Group classifies financial assets under IFRS 9, please refer note 3(i).

IFRS 9 largely retains the existing requirements in pre-convergence GAAP for the classification of financial liabilities. However, under IFRS 9 fair value changes of liabilities designated at fair value through profit or loss are generally presented as follows:

(Expressed in Saudi Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a. IFRS 9 – Financial instruments (continued)

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

- The remaining amount of change in the fair value is presented in consolidated statement of profit or loss.

For an explanation of how the Group classifies financial liabilities under IFRS 9, please refer note 3(i).

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in pre-convergence GAAP with an 'expected credit loss' model ("ECL"). IFRS 9 requires the Group to record an allowance for ECL for all financial assets exposed to credit risk that are not held at FVTPL. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECL over the life of the asset.

For an explanation of how the Group applies the impairment requirements of IFRS 9, please refer note 3(i).

In lieu of the exemption available under the IFRS, comparative periods have not been restated for the impact of IFRS 9 adoption. Hence, any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and / or reserves (as appropriate) as at 1 January 2018. Accordingly, the information presented for the financial year ended December 31, 2017 does not reflect the requirements of IFRS 9.

Changes to measurement categories

The measurement category for cash and balances is same in IFRS 9 and pre-convergence GAAP. The following table shows the original measurement categories in accordance with pre-convergence GAAP and the new measurement categories under IFRS 9 for the Group's investments as at January 1, 2018.

Classification under pre-convergence GAAP	Classification under IFRS 9	Carrying value under pre-convergence GAAP	Carrying value under IFRS 9
Held for trading	FVTPL	56,656,040	56,656,040
Available for sale	FVTPL	53,443,453	51,813,294
Held to maturity	Amortized Cost	8,000,000	8,000,000

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a. IFRS 9 – Financial instruments (continued)

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

i) The determination of the business model within which a financial asset is held.
ii) The designation and revocation of previous designated financial assets and financial liabilities as measured at FVTPL.
iii) The designation of certain investments in equity instruments not held for trading as FVOCI.
iv) For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in consolidated statement of profit or loss.

It is assumed that the credit risk has not increased significantly for those debt securities who carry low credit risk at the date of initial application of IFRS 9.

b. IFRS 15 – Revenue from customer contracts

IFRS 15 replaces IAS 18 and introduces a new model for revenue recognition that is based on the transfer of control. This may impact the timing and amount of revenue that will be recognized compared to the previous revenue guidance. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Group’s adoption of IFRS 15 did not have any material impact on its consolidated financial numbers, except for the addition of certain additional disclosures.

c. Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/ non-current classification.

Assets:
An asset is current when it is:
- Expected to be realized or intended to sold or consumed in 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.

Liabilities:
A liability is current when:
- It is expected to be settled in 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

All other liabilities are classified as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the subsidiaries is represented by US Dollars and Great Britian Pounds.

Foreign currency transactions of individual Group companies are translated into functional currency at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are retranslated into functional currency at the rates ruling at the statement of financial position dates. Any differences are taken to the consolidated statement of profit or loss.

On consolidation, the results of subsidiaries are translated into Saudi Riyals at rates approximating to those ruling when the transactions took place. All assets and liabilities of the foreign subsidiaries are translated into Saudi Riyals at the rates of exchange ruling on the statement of financial position date. Exchange differences arising on translation are recognised as other comprehensive income / (loss) in the exchange translation reserve.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and any differences are taken to the consolidated statement of profit or loss and other comprehensive income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

e. Trade date accounting

All regular way purchases and sales of financial assets are recognized and derecognized on the trade date, i.e. the date on which the Group commits to purchase or sell the asset.

f. Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation and accumulated impairment losses, if any. Capital work in progress is not depreciated. The cost of property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	10 years
Furniture, equipments and vehicle	4 – 6 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Property and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of profit or loss and other comprehensive income. Property and equipment are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted prospectively, if required.

g. Intangible assets

Intangible assets, other than goodwill, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization is calculated over the cost of the asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since it most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

h. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in consolidated equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Business combinations (continued)

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of consolidated equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the consolidated statement of profit or loss and other comprehensive income. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investment or other categories of investment in accordance with the Group's relevant accounting policy.

i. Subsidiaries

Subsidiaries are entities which are controlled by the Group. To meet the definition of control, all three criteria must be met:

(i) the Group has power over the entity;
(ii) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
(iii) the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the period, if any, are included in the consolidated statement of profit or loss and other comprehensive income from the date of the acquisition or up to the date of disposal, as appropriate.

ii. Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

iii. Transactions eliminated on consolidation

Inter-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from inter-group transactions are eliminated in full in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Financial assets and liabilities

i. Initial recognition and derecognition

The accounting guidance in respect of the initial recognition and derecognition of financial assets / liabilities is consistent between pre-convergence GAAP and IFRS 9. This is as follows:

Initial recognition

A financial asset or financial liability (unless it's a trade receivable / other receivable without a significant financing component) is initially measured at fair value plus, for an item not carried at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price.

Derecognition

A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognized, when the contractual rights to the cash flows from the financial asset expires. A financial liability (or a part of financial liability) can only be derecognized when it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expired.

ii. Classification under IFRS 9

Financial Asset at amortised cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Assessments whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets and liabilities (continued)

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of interest rates.

Financial Asset at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial Asset at FVTPL

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets and liabilities (continued)

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Classification of financial liabilities

The Group classifies its financial liabilities, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss or an entity has opted to measure a liability at fair value through profit or loss as per the requirements of IFRS 9.

Financial liabilities classified as FVTPL using fair value option, if any, after initial recognition, for such liabilities, changes in fair value related to changes in own credit risk are presented separately in OCI and all other fair value changes are presented in the profit and loss.

Amounts in OCI relating to own credit are not recycled to the profit or loss even when the liability is derecognized and the amounts are realized.

Financial liabilities that are required to be measured at fair value through profit or loss will have all their fair value movements, including those related to changes in the credit risk of the liability, recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets and liabilities (continued)

iii. Impairment in financial assets under IFRS 9

The Group recognizes loss allowances for ECL on financial assets that are debt instruments and are not carried at FVTPL, at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

Loss allowances for trade and other related receivables are always measured at an amount equal to lifetime ECL. The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The Group categorizes its financial assets into following three stages in accordance with the IFRS-9 methodology:

- Stage 1 – Performing assets: Financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months Probability of Default (PD).
- Stage 2 – Underperforming assets: Financial assets that has significantly deteriorated in credit quality since origination
- This credit quality assessment is made by comparing the remaining lifetime PD as at reporting date with the remaining lifetime PD point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations). The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on life time PD.
- Stage 3 – Impaired assets: For Financial assets that are impaired, the Group is recognize the impairment allowance based on life time PD.

The Group also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECL.

The forward-looking information will include the elements such as macroeconomic factors (e.g., unemployment, GDP growth, inflation, profit rates and house prices) and economic forecasts obtained through internal and external sources.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets and liabilities (continued)

iv. Classification under pre-convergence GAAP

For financial periods ended December 31, 2017, the Group classified financial assets as follows:

Held for trading investments (HFT)

Held for trading investments represent investments held for trading purposes. These are initially recorded at cost and then re-measured and stated in the balance sheet at market value and included under current assets. Realized gain or loss on sale of trade securities and changes in market value at balance sheet date are credited or charged to statement of income.

Held to maturity investments (HTM)

Investments having fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in their value. Amortised cost is calculated by taking into account any discount or premium on acquisition using the effective yield method. Any gain or loss on such investments is recognized in the statement of income when the investment is derecognized or impaired.

Available for sale investments (AFS)

Available for sale investments are non-derivative investments that are designated as AFS or not classified as another category of financial assets, and are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in special commission rates, exchange rates or equity prices.

Investments which are classified as available for sale are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Any unrealised gains or losses arising from changes in fair value are recognized in equity until the investments are derecognized or impaired whereupon any cumulative gains or losses previously recognized are reclassified to statement of income for the period.

Reclassification of financial investments

Upon a change in intention or purpose for holding financial investment, these are re-measured to fair value and reclassified according to such change.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in consolidated statement of profit or loss.

Once classified as held-for-sale, assets are no longer amortised or depreciated.

k. Dividends

Final dividends are recorded in the financial statements in the period in which they are approved by shareholders of the Group.

l. Zakat and income tax

The Company and its subsidiaries are subject to Zakat in accordance with the regulations of General Authority of saudi Zakat and Income Tax ("GAZT"). Zakat is charged to the consolidated statement of profit or loss and other comprehensive income. Additional Zakat and income tax liability, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized and recognized in profit or loss.

Subsidiaries registered outside the Kingdom of Saudi Arabia (KSA) are subject to income tax as per applicable local regulaions.

m. Employee benefits

Post-employment benefits
The Group's net obligations in respect of defined unfunded post-employment benefit plan ("the plan") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs. The discount rate used is the market yield on government bonds at the reporting date that have maturity dates approximating the terms of the Group's obligations. The cost of providing benefits under the defined benefits plan is determined using the projected unit credit method to determine the Group's present value of the obligation. As at the consolidated statement of financial position date, the Group's post-employment defined benefit plan is represented by employees' end of service benefit plan.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Employee benefits (continued)

Termination benefits
Termination benefits are recognized as an expense when the Group is demonstrably committed without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before retirement date, or to provide termination benefits as a result of an offer to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer for voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short term benefits
Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

n. Provisions, contingencies and commitments

Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured. Certain provisions are based on management's estimate of the actual amount payable.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed in the consolidated statement of profit or loss and other comprehensive income.

Contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognized because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized and are disclosed, unless the probability of an outflow of resources embodying economic benefits is remote.

Commitments represent binding agreements of the Group to carry out specified courses of action involving in a transfer of cash or other asset to the respective counterparties. For details of Group's contingencies and commitments at the reporting date, please refer note 21.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Cash and cash equivalents

Cash and cash equivalents represents cash, balances with banks and other financial assets, with original maturity of three months or less which are subject to insignificant risk of changes in their fair value.

p. Fiduciary assets

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

q. Revenue recognition

Under IFRS 15, with effect from January 1, 2018
Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The Group recognize revenue when it transfers control over a product or service to a customer. The specific recognition criteria described below must also be met before the revenue is recognized.

The Company has following streams of revenues:

Fee from asset management
Fees charged for managing investment funds and private portfolios are recognized as revenue rateably as the services are provided, based on the applicable service contracts. Subscription fee is recognized at the time of subscription. Any performance fee is recognized in the period in which the corresponding fund or portfolio results meet (or are expected to meet) the annual pre-set targets.

Fee from advisory services
Fee from advisory services are recognised based on services rendered under the applicable service contracts.

Under pre-convergence GAAP until December 31, 2017

Revenue from services
Revenue from services includes revenue from management and advisory services and is recognized when the related services are rendered to customers.

Income from financial investments
Income from investments includes unrealized gains on held for trading investment, income from Murabaha deposits and Sukuks. Unrealized gains on held for trading investments are recorded on the basis of fair value of the investment. Income from Murabaha deposits and Sukuks is recognized on an accrual basis using the effective interest method.

Rental income from properties
Rental income from properties is recognized on straight line basis over the term of the corresponding lease arrangement.

(Expressed in Saudi Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held (if any). Diluted EPS is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held and for the effects of all dilutive potential ordinary shares.

4. FINANCIAL INVESTMENTS

Investment type	*Note*	December 31, 2018	December 31, 2017	January 01, 2017
FVTPL / Held for trading				
- Money market fund		**57,569,348**	56,656,040	48,000,000
Investment under current assets		**57,569,348**	56,656,040	48,000,000
FVTPL / Available for sale				
Invesmtent funds				
- Real estate		**26,642,512**	4,500,000	4,500,000
- Public equity		**42,863,511**	9,802,548	9,064,112
- Private equity		**8,343,101**	4,735,321	26,979,387
Private equities – foreign		**34,845,302**	32,648,444	9,194,363
Public equity – local		**9,816,449**	126,981	145,164
		122,510,875	**51,813,294**	**49,883,026**
Amortised Cost / Held to maturity				
Sukuks	4.1	**5,000,000**	8,000,000	13,000,000
Investment under non current assets		**127,510,875**	59,813,294	62,883,026
Total		**185,080,223**	116,469,334	110,883,026

4.1 Amortised cost investments comprise of investment in Sukuks issued by reputable local counterparties, carrying profit at variable rates with maturities upto January 2020.

(Expressed in Saudi Riyals)

5. PROPERTY AND EQUIPMENT

Movement in property and equipment during the year ended December 31, 2018 is as follows:

	Leasehold improvements	Furniture, equipments and vehicle	Total
Cost:			
Balance at January 1, 2018	4,363,868	5,639,783	10,003,651
Additions	401,375	237,864	639,239
Disposals	--	(5,300)	(5,300)
Exchange translation adjustment	--	(34,670)	(34,670)
Balance at December 31, 2018	4,765,243	5,837,677	10,602,920
Accumulated depreciation:			
Balance at January 1, 2018	2,644,214	4,210,105	6,854,319
Charge for the year	470,543	434,635	905,178
Disposals	--	(5,300)	(5,300)
Exchange translation adjustment	--	(7,537)	(7,537)
Balance at December 31, 2018	3,114,757	4,631,903	7,746,660
Net book value:			
At December 31, 2018	**1,650,486**	**1,205,774**	**2,856,260**
At December 31, 2017	1,719,654	1,429,678	3,149,332
At January 1, 2017	1,533,415	1,054,834	2,588,249

6. INTANGIBLE ASSETS

Movement in intangible assets (represented by computer softwares) during the year ended December 31, 2018 is as follows:

	December 31, 2018	December 31, 2017
Cost:		
Opening balance	**2,670,418**	2,667,841
Additions	**3,568,658**	2,025
Closing balance	**6,239,076**	2,669,866
Accumulated amortization:		
Opening balance	**2,564,116**	2,512,979
Charge for the year	**44,386**	51,137
Closing balance	**2,608,502**	2,564,116
Net book value	**3,630,574**	105,750

(Expressed in Saudi Riyals)

7. PREPAYMENTS AND OTHER CURRENT ASSETS

	December 31, 2018	December 31, 2017	January 01, 2017
Loan to employees	**3,509,388**	2,648,071	2,237,776
Advance to a managed fund (note 7.1)	**--**	40,000,000	--
Prepayments and other current assets-net (note 7.2)	**7,257,589**	4,997,466	3,531,272
	10,766,977	47,645,537	5,769,048

7.1 This represent advance to a newly established fund ("Built to Suit Fund") amounting to SR Nil (2017: SR 40 million) for the purchase of a property (acquired consistent with the fund's objective). During the year, the Group received the amounts advanced to the fund.

7.2 As at December 31, 2018, prepayment and other current assets includes an amount of SR 2.8 million pertaining to receivable from an investment property under management of the Company through a structure ("Orchard Park"). However, during the year this amount has been fully provided due to the deteriorating financial position of Orchard Park.

8. ACCOUNTS RECEIVABLE AND ACCRUED INCOME

	Note	**December 31, 2018**	December 31, 2017	January 01, 2017
Management fee	8.1	**30,954,791**	32,780,502	26,578,136
Advisory fee	8.1	**8,708,253**	2,343,364	3,359,131
Dividends	8.2	**4,764**	4,317,796	198,656
Others		**3,042,891**	5,493,725	1,106,578
		42,710,699	44,935,387	31,242,501
Provision against Receivables		**(1,030,717)**	--	--
		41,679,982	44,935,387	31,242,501

8.1 These represent management and advisory fee receivable / accrued from clients and managed funds at the reporting date.

8.2 This represent dividend receivable from financial investments as at the reporting date.

8.3 Accounts receivable include amounts due from related parties aggregating to SR 18.44 million (2017: SR 22.06 million).

(Expressed in Saudi Riyals)

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, comprises of following:

	Note	**December 31, 2018**	December 31, 2017	January 01, 2017
Cash in hand		**22,605**	12,000	12,000
Cash at bank on current accounts		**75,861,165**	78,974,629	7,817,681
Murabaha investments	9.1	**27,500,000**	25,000,000	92,700,000
		103,383,770	103,986,629	100,529,681

9.1 This represent murabaha deposit with a local bank, having original maturity of three months or less and carrying profit at rate of 2.8% to 3.1% (2017: 1.9 %) per annum.

10. ASSETS HELD FOR SALE

These represent investments in certain international real estate properties, acquired as part of onward sales to investment fund under Company's management or as joint interests under warehousing transactions. Subsequent to the acquisition and consistent with the investment objective, the Company has commenced the process to dispose these properties. As at the reporting date, formalities in this regard are in progress.

During the year, the Group has sold one investment consistent with its investment objective.

11. SHARE CAPITAL AND DIVIDEND

The share capital of the Company amounting to SR 200 million (December 31, 2017: SR 200 million) is divided into 20,000,000 shares (December 31, 2017: 20,000,000) with nominal value of SR 10 per share.

At the balance sheet date, the share capital of the Company is divided as follows:

	December 31, 2018	December 31, 2017	January 1, 2017	**December 31, 2018**	December 31, 2017 (Number of shares)	January 1, 2017
Saudi Economic and Development Holding Company	96%	96%	96%	19,200,000	19,200,000	19,200,000
Rushd International Real Estate Company	1%	1%	1%	200,000	200,000	200,000
Ehkam International Real Estate Company	1%	1%	1%	200,000	200,000	200,000
Ta'adiah for Urban Development Company	1%	1%	1%	200,000	200,000	200,000
Ta'aki International Real Estate Company	1%	1%	1%	200,000	200,000	200,000
	100%	100%	100%	20,000,000	20,000,000	20,000,000

(Expressed in Saudi Riyals)

11. SHARE CAPITAL AND DIVIDEND (continued)

11.1 On March 13, 2018, the shareholders approved distribution of dividend amounting to SR 11.47 million (SR 0.57 per share), (December 31, 2017: SR 10.2 million (SR 0.51 per share)), which was fully paid to the shareholders.

12. STATUTORY RESERVE

In accordance with the Company's By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Company.

13. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS

The Group operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The amount recognized in the consolidated statement of financial position is determined as follows:

	December 31, 2018	December 31, 2017	January 01, 2017
Present value of defined benefit obligation	**14,081,000**	15,186,000	13,918,000

An independent actuarial exercise has been conducted as at December 31, 2018, December 31, 2017 and January 1, 2017 to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Saudi Arabian Labour Law by using the Projected Unit Credit Method as required under International Accounting Standards 19: Employee Benefits.

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

	2018	2017
Defined benefit liability at the beginning of the year	**15,186,000**	13,918,000
Included in profit or loss		
Current service cost	**2,411,000**	2,146,000
Interest cost	**686,000**	675,000
	3,097,000	2,821,000
Included in other comprehensive income		
Actuarial loss	**(1,722,200)**	323,000
Benefits paid	**(2,479,800)**	(1,876,000)
Defined benefit liability at the end of the year	**14,081,000**	15,186,000

(Expressed in Saudi Riyals)

13. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS (continued)

Defined benefit obligation:

a) Actuarial assumptions
The following were the principal actuarial assumptions applied at the reporting date (expressed as weighted averages).

	December 31, 2018	December 31, 2017	January 01, 2017
Discount rate (%)	**4.60%**	3.90%	4.20%
Future salary growth (%)	**3.00%**	3.00%	3.00%
Retirement age	**60**	60	60
Employee turnover	**Medium**	Medium	Medium

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

The weighted-average duration of the defined benefit obligation was 37.7 years (December 31,2017: 39.3 years).

b) Sensitivity analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2018		2017	
	Increase	**Decrease**	Increase	Decrease
Discount rate (0.25% movement)	**14,081**	**13,768**	14,857	15,515
Future salary growth (0.25% movement)	**14,081**	**14,407**	15,525	14,847
Employee turnover (Medium to High)	**14,081**	**13,973**	14,889	15,483

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

14. ACCOUNT PAYABLE, ACCRUAL AND OTHER CURRENT LIABILITIES

	December 31, 2018	December 31, 2017	January 01, 2017
Employee related expenses	**25,836,497**	25,254,611	21,792,953
Account Payable	**2,812,213**	8,169,858	6,102,035
Accrued professional fees	**1,651,620**	934,559	1,639,793
Unearned income	**--**	--	3,876,190
Due to related parties (note 20)	**26,954,924**	3,500,187	2,935,913
Others	**8,755,257**	4,340,574	3,139,345
	66,010,511	42,199,789	39,486,229

(Expressed in Saudi Riyals)

15. FEE FROM SERVICES

Following is a disaggregation of total revenue by major geographies and timing of recognition for the period ended December 31:

	2018	2017
Primary geographical markets:		
Kingdom of Saudi Arabia	**89,451,208**	78,699,821
Others	**64,062,617**	71,807,421
Fee from services	**153,513,825**	150,507,242
Timing of revenue recognition:		
Point-in-time	**38,310,389**	22,198,976
Over time	**115,203,436**	128,308,266
Fee from services	**153,513,825**	150,507,242

a) Contract balances:

The following table provides information about receivables and contract assets (included in accounts receivable and accrued income) from contracts with customers.

	December 31, 2018	December 31, 2017
Receivables	**24,332,144**	26,828,583
Contract assets	**18,378,555**	18,106,804
	42,710,699	44,935,387

b) The Group has applied contraint in determining the transaction price with respect to the performance fee it is entitled under the management agreements with its core clients due to the signigicant uncertainties involved in determining the performance fee. Therefore, revenue is recognized after the actual results are available to the Group.

16. INCOME FROM INVESTMENTS

Income from investments includes dividend income, fair value gains on FVTPL / held for trading investments, profit on investments held at amortised cost and rental income from properties.

	2018	2017
Sepcial commission income from murabaha contracts	**1,485,925**	1,216,849
Income from Sukuk	**200,058**	383,756
Dividend Income	**5,820,000**	1,836,410
Unrealized gain on investment	**3,292,732**	564,214
Realized gain on sale of investment and assets held for sale	**6,997,626**	4,266,523
Other	**4,579,924**	2,130,184
	22,376,265	10,397,936

(Expressed in Saudi Riyals)

17. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Professional and consultancy fees	**9,291,032**	6,190,456
Traveling expenses	**2,602,772**	2,667,719
Cross charge for shared services (note 20)	**3,409,524**	3,300,000
Computer expenses and related maintenance	**1,645,639**	1,570,652
Rent expense	**1,297,527**	1,270,307
Depreciation (note 5)	**905,178**	797,409
Insurance expense	**475,336**	415,507
Withholding tax	**456,761**	347,292
Amortization of intangible (note 6)	**44,386**	51,137
Allowance for expected credit losses	**3,057,034**	--
Others	**6,709,606**	5,459,147
	29,894,795	22,069,626

18. ZAKAT AND TAX

18.1 At December 31, accrued Zakat and Tax comprise the following:

	Note	**December 31, 2018**	December 31, 2017	January 01, 2017
Accrued Zakat	18.4	**9,333,754**	9,159,794	8,187,975
Accrued Tax		**105,432**	197,535	118,923
Total		**9,439,186**	9,357,329	8,306,898

18.2 Zakat and tax charge for the year comprise of the following:

	Note	**2018**	2017
Zakat charge	18.4	**7,390,174**	6,965,776
Tax charge		**32,850**	31,518
Total		**7,423,024**	6,997,294

18.3 Zakat charge for the year ended December 31 has been calculated on Zakat base, the components of which are as follows:

	December 31, 2018	December 31, 2017	January 01, 2017
Non-current assets	**133,997,709**	63,068,376	65,626,137
Non-current liability	**14,081,000**	15,186,000	13,918,000
Opening shareholders' equity	**298,554,024**	271,144,679	247,476,087
Net income before Zakat	**53,431,603**	42,970,572	40,546,990

Some of the aforementioned amounts have been adjusted (consistent with Zakat rules) in arriving at the Zakat charge for the year.

18. ZAKAT AND TAX (continued)

18.4 Movement in accrued Zakat during the year ended December 31, is as follows:

	2018	2017
As at January 1,	**9,159,794**	8,187,975
Zakat charge for the year	**7,390,174**	6,965,776
Payments during the year	**(7,216,214)**	(5,993,957)
As at December 31,	**9,333,754**	9,159,794

18.5 Zakat status

The Company has obtained the final Zakat certificates for all the years until 2012. Zakat returns for the years 2013 to 2017 have also been submitted to GAZT, whereby, GAZT has raised an additional Zakat demand of approximately SR 1.6 million in relation to the year 2015. The Company has filed an appeal against the additional Zakat demand.

19. BASIC EARNINGS PER SHARE

Basic earnings per share have been computed by dividing the profit for the year attributable to the owners of the parent Company by the number of shares outstanding during the year. As there are no diluted shares outstanding, basic and diluted earnings per share are identical.

The earnings per share calculation is given below:

	2018	2017
Profit for the year – attributable to owner of the Company	**40,689,932**	36,004,299
Weighted average number of shares outstanding	**20,000,000**	20,000,000
Profit per share (Saudi Riyals) – Basic and Diluted	**2.03**	1.80

20. RELATED PARTY TRANSACTIONS

Transactions with related parties mainly represent advisory and management services rendered to affiliates and funds under management as well as cross charge for services received from the shareholder in the ordinary course of business on mutually agreed terms and approved by the management of the Group.

(Expressed in Saudi Riyals)

20. RELATED PARTY TRANSACTIONS (continued)

During the year, the Group transacted with the following related parties:

Name	**Relationship**
Saudi Economic and Development Holding Company	Shareholder
Hagley Fund IC	Fund under management
SEDCO Capital Real Estate Income Fund I	Fund under management
SEDCO Capital Real Estate Income Fund II	Fund under management
SEDCO Capital Built to Suit Real Estate Fund I	Fund under management
SEDCO Capital Treasury Money Market Fund	Fund under management
SEDCO Capital Saudi Equities Fund I	Fund under management
SEDCO Capital REIT Fund	Fund under management
Milltrust SEDCO MENA Fund	Fund under investment management
SEDCO Capital Private Equity Global Fund IV	Fund under investment management
SEDCO Capital Core Diversified Strategies Fund	Fund under investment management
SEDCO Capital GCC Equities Fund	Fund under investment management
SEDCO Capital Europe Fund I	Fund under investment management
BMF	Affiliate
Elaf Hotels Company	Affiliate
Methak Investment Holding Company	Affiliate
Elaf for Travel and Tourism Company	Affiliate
Rushd International Real Estate Company	Affiliate
Tazweid Almaharat Company	Affiliate
Intimaa Real Estate Services Company	Affiliate
Al Jazirah Equipment Company (Autoworld)	Affiliate
Board of directors	Key management personnel
Executive management of the Company	Key management personnel

The significant related party transactions for the year ended December 31 and balances arising therefrom are as follows:

a) Transactions with key management personnel

Key management personnel of the Company comprise senior executive management and the Board of Directors. Details of the remuneration charged to the Group's consolidated statement of profit or loss and relevant balances outstanding at the year-end are as follows:

Remuneration / Other benefits

Transactions with	Amount of transaction during the year 2018	Amount of transaction during the year 2017	Closing balance receivable / (payable)		
			December 31, 2018	December 31, 2017	January 1, 2017
Board of Directors	**1,716,788**	**1,562,876**	**--**	--	--
Executive management of the Company	**12,882,324**	**18,188,662**	**--**	--	--

(Expressed in Saudi Riyals)

20. RELATED PARTY TRANSACTIONS (continued)

b) Advisory and management services

Transactions with	Amount of transaction during 2018	Amount of transaction during 2017		Closing balance	
			December 31, 2018	December 31, 2017	January 1, 2017
Saudi Economic and Development Holding Company	**46,491,851**	45,852,675	**--**	14,236,654	6,869,161
Methak Investment Holding Company	**6,005,968**	5,100,937	**746,737**	1,827,426	755,078
SEDCO Capital Real Estate Income Fund I	**2,037,818**	5,577,999	**506,953**	1,446,375	2,940,025
SEDCO Capital REIT Fund	**17,390,386**	--	**9,905,143**		
SEDCO Capital Real Estate Income Fund II	**9,607,250**	6,681,000	**4,894,754**	1,670,250	7,656,509
SEDCO Capital Built to Suit Real Estate Fund I	**1,386,706**	3,300,000	**759,403**	--	--
BMF	**676,715**	716,680		578,175	764,569
Hagley Fund IC	**496,354**	574,806	**447,656**	293,588	288,334
Milltrust SEDCO MENA Fund	**241,045**	148,566	**20,172**	15,928	109,200
SEDCO Capital Europe Fund I	**649,883**	7,430,792		243,294	--
SEDCO Capital Treasury Money Market Fund	**2,995,861**	2,043,097	**1,083,450**	502,997	1,003,075
SEDCO Capital Saudi Equities Fund I	**57,892**	24,884	**13,473**	1,559	2,431
SEDCO Capital Global Equity Fund IV	**7,500,000**	7,500,000	**--**	--	--
SEDCO Capital Balanced Fund	**2,926,825**	2,533,939	**--**	717,468	--
SEDCO Capital GCC Equities Fund	**1,520,659**	737,265	**--**	143,598	--

c) Expenses borne / payment on behalf

Transactions with	Amount of transaction during the year 2018	Amount of transaction during 2017		Closing balance	
			December 31, 2018	December 31, 2017	January 1, 2017
Methak Investment Holding Company	**3,855**	--	**55,154**	51,299	259,722
SEDCO Capital Real Estate Income Fund I	**--**	151,846	**--**	151,846	--
SEDCO Capital Real Estate Income Fund II	**--**	12,498	**--**	12,498	--
SEDCO Capital Built to Suit Real Estate Fund I	**--**	10,750	**--**	10,750	--
Rushd International Real Estate Company	**--**	7,500	**7,500**	7,500	--
SEDCO Capital REIT Fund	**2,000**	--	**2,000**	--	--

(Expressed in Saudi Riyals)

20. RELATED PARTY TRANSACTIONS (continued)

d) Dividend income

Transactions with	Amount of transaction during the year 2018	Amount of transaction during 2017	Closing balance December 31, 2018	Closing balance December 31, 2017	Closing balance January 1, 2017
SEDCO Capital Real Estate Income Fund I	**88,279**	314,997	**4,764**	157,500	163,128
Hagley Fund IC	**111,808**	238,477	**--**	--	25,182
SEDCO Capital REIT Fund	**1,481,166**	--	**--**	--	--
Due from related parties balance			**18,447,159**	22,068,705	20,836,414

Transactions with	Nature of transactions	Amount of transaction during the year 2018	Amount of transaction during the year 2017	Closing balance December 31, 2018	Closing balance December 31, 2017	Closing balance January 1, 2017
Saudi Economic and Development Holding Company	Cross charge for shared services	**3,409,524**	3,300,000	**2,724,000**	3,500,187	2,873,540
	Payments made on behalf	**24,173,023**	--	**24,064,969**	--	--
Elaf Hotels Company	Accommodation services	**152,098**	196,639	--	--	--
Tazweid Almaharat Company	Service Agreement	**168,233**	90,755	--	--	--
Elaf for Travel and Tourism Company	Travel and tourism services	**1,276,487**	1,464,544	**165,955**	--	56,223
Intimaa Real Estate Services Company	Office rent and other services	**1,183,087**	986,232	--	--	--
Al Jazirah Equipment Company (Autoworld)	Transportation expenses	**6,008**	60,364	--	--	6,150
Due to related parties balance				**26,954,924**	3,500,187	2,935,913

(Expressed in Saudi Riyals)

21. CONTINGENCIES AND COMMITMENTS

Following are the details of the Group's contingencies and commitments as at December 31, 2018:

Contingencies

a) Zakat related contingencies are disclosed in note 18.

Commitments

a) Operating lease commitments

	2018
Payments under operating leases recognized as an expense during the year	1,276,000
Obligation under operating lease due within one year from the balance sheet date	1,276,000

These represent payments made under rental agreement in respect of head office, which is renewed annually.

22. STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

Standards and amendments issued but not yet effective as at the reporting date are listed below. The Group is currently assessing the implications of these on its consolidated financial statements. The following is a brief on the new IFRS and other amendments to IFRS, effective for annual periods beginning on or after 1 January 2019:

Effective for annual periods beginning on or after	Pronouncement	Summary of requirements
1 January 2019	(2015-2017 annual improvements cycle) IFRS 3, IAS 12 and IAS 23	The standards affected under the 2015-2017 annual improvements cycle, and the subjects of the amendments are: - IFRS 3 business combinations and IFRS 11 Joint arrangements - previously held interest in a joint operation. - IAS 12 Income Taxes - income tax consequences of payments on financial instruments classified as equity. - IAS 23 Borrowing Costs - borrowing costs eligible for capitalisation.
1 January 2019	Amendments to IAS 28	The amendments clarify that the Group applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

(Expressed in Saudi Riyals)

22. STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (continued)

Effective for annual periods beginning on or after	Pronouncement	Summary of requirements
1 January 2019	Amendments to IFRS 9	Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.
1 January 2019	IFRS 16 - Leases	IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. The Group is in the process of evaluating how the new lease accounting model will impact its leasing arrangements.

The impact of the above standards, amendments and pronouncements is not material.

i) Transition

The Group plans to adopt IFRS 16 initially on 1 January 2019 using modified retrospective approach. Therefore cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group plans to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

23. FAIR VALUES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

As at the reporting date, the fair values of the Group's financial instruments are not materially different from their carrying values.

(Expressed in Saudi Riyals)

23. FAIR VALUES (continued)

a. Fair value information for financial instruments at fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As the Group's financial assets are compiled under the historical cost convention, except for financial assets held at fair value through profit and loss and fair value through other comprehensive income, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group’s financial assets and liabilities are not materially different from their carrying values.

The following table shows the carrying amount and fair values of the financial assets and financial liabilities, including their levels and fair value hierarchy. It doesn’t include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

	Carrying amount	**Fair Value**			
December 31, 2018	FVTPL	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value					
Money market investment funds	57,569,348	--	--	57,569,348	57,569,348
Real Estate investment funds	26,642,512	26,404,309	--	238,203	26,642,512
Public equity investment funds	42,863,511	42,863,511	--	--	42,863,511
Private equity investment funds	8,343,101	--	--	8,343,101	8,343,101
Foreign private equities	34,845,302	--	--	34,845,302	34,845,302
Local public equity	9,816,449	9,816,449	--	--	9,816,449
	180,080,223	79,084,269	--	100,995,954	180,080,223

(Expressed in Saudi Riyals)

23. FAIR VALUES (continued)

	Carrying amount		Fair Value			
December 31, 2017	Held for trading	Available for sale	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value						
Money market investment funds	56,656,040	--	--	--	56,656,040	56,656,040
Real Estate investment funds	--	4,500,000	--	--	4,500,000	4,500,000
Public equity investment funds	--	9,802,548	9,802,548	--	--	9,802,548
Private equity investment funds	--	4,735,321	--	--	4,735,321	4,735,321
Foreign private equities	--	32,648,444	--	--	32,648,444	32,648,444
Local public equity	--	126,981	126,981	--	--	126,981
	56,656,040	51,813,294	9,929,529	--	98,539,805	108,469,334

	Carrying amount		Fair Value			
January 01, 2017	Held for trading	Available for sale	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value						
Money market investment funds	48,000,000	--	--	--	48,000,000	48,000,000
Real Estate investment funds	--	4,500,000	--	--	4,500,000	4,500,000
Public equity investment funds	--	9,064,112	9,064,112	--	--	9,064,112
Private equity investment funds	--	26,979,387	--	--	26,979,387	26,979,387
Foreign private equities	--	9,194,363	--	--	9,194,363	9,194,363
Local public equity	--	145,164	145,164	--	--	145,164
	48,000,000	49,883,026	9,209,276	--	88,673,750	97,883,026

During the year ended December 31, 2018 there were no transfers between level 1 and level 2 fair value measurements.

Movement in fair value under level 3 for the year ended is as follow:

	December 31, 2018	December 31, 2017
Opening balance	**98,539,805**	88,673,750
Net movement in fair value	**13,116,391**	1,866,055
Purchases	**3,750,000**	30,000,000
Sales / distributions	**(14,410,241)**	(22,000,000)
Closing balance	**100,995,955**	98,539,805

23. FAIR VALUES (continued)

b. Valuation technique and significant unobservable inputs for financial instruments at fair value

The Group uses various valuation techniques for determination of fair values for financial instruments classified under levels 2 and 3 of the fair value hierarchy. These techniques and the significant unobservable inputs used therein are analyzed below. The Group utilizes fund manager reports (and appropriate discounts or hair-cuts where required) for the determination of fair values of private equity funds and real estate funds. The fund manager deploys various techniques (such as discounted cash flow models and multiples method, etc.) for the valuation of underlying financial instruments classified under level 2 and 3 of the respective fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the fund manager include risk adjusted discount rates, marketability and liquidity discounts and control premiums.

24. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and monitors financial risks. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive committee is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive committee to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments carried on the statement of financial position include cash and cash equivalents, accounts and other receivables, investments, accounts payable and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

24. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. As at the reporting date, the Group's exposure to interest rate risk is represented by murabaha and held to maturity investments which bear floating interest rate. The Group manages interest rate risk by monitoring interest rate exposures and mismatches between interest bearing financial assets and liabilities on a regular basis. As at the reporting date, the Group is not exposed to significant interest rate risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates for its transactions principally in Saudi Riyals, US Dollars and Great Britain Pounds. The Group's investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between foreign currencies against Great Britain Pounds. Such fluctuations are recorded as a separate component of shareholders' equity in the accompanying consolidated financial statements. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

Following is the gross financial position exposure classified into separate foreign currencies:

	December 31, 2018		December 31, 2017		January 01, 2017	
	US Dollars	**GBP**	US Dollars	GBP	US Dollars	GBP
Trade receivables	**2,133,746**	**446,363**	1,691,800	926,710	1,938,248	202,337
Financial investments	**12,688,265**	**953,283**	23,464,346	3,109,987	23,267,430	3,143,138
Cash and cash equivalents	**19,548,793**	**55,199**	12,596,925	139,031	1,261,071	191,739
Trade payables	**4,032,388**	**--**	6,737,935	--	4,545,983	--
Other payables	**--**	**17,556**	158,461	75,594	219,814	92,337
Net exposure	**30,338,416**	**1,437,289**	30,856,675	4,100,134	21,700,952	3,444,877

24. FINANCIAL RISK MANAGEMENT (continued)

Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed price risk with respect to financial investments carried at fair value. The investments are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee.

Details of the Group's investment portfolio exposed to price risk, at the reporting date are disclosed in note 24 to these consolidated financial statements. As at December 31, 2018, the Group's overall exposure to price risk is limited to the fair value of those positions, whereby a 10% change in market values/net asset values would have affected the shareholder's equity for the year by SR + 12.2 million / - 12.2 million (December 31, 2017 SR + 5.1 million / -5.1 million).

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. To reduce exposure to credit risk, the Group has an approval process whereby credit limits are applied to its customers. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis through each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of default occurring on asset as at the reporting date with the risk of default as at the date of initial recognition. It considers reasonable and supportive forward-looking information such as:

a. Actual or expected significant adverse changes in business,

b. actual or expected significant changes in the operating results of the counterparty,

c. financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations,

d. significant increase in credit risk on other financial instruments of the same counterparty,

e. significant changes in the value of the collateral supporting the obligation or in the quality of the third-party guarantees or credit enhancements.

Financial assets are written off when there is no reasonable expectations of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized as income in the consolidated statement of profit or loss and other comprehensive income.

The Group measures the expected credit loss of trade receivables from individual customers based on historical trend, industry practices and the business environment in which the entity operates.

(Expressed in Saudi Riyals)

24. FINANCIAL RISK MANAGEMENT (continued)

With respect to credit risk arising from the other financial assets of the Group, including bank balances and cash, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount as disclosed in the consolidated statement of financial position. The credit risk in respect of bank balances is considered by management to be insignificant, as the balances are mainly held with reputable banks in the Kingdom of Saudi Arabia.

The Group's gross maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Financial assets		
Trade receivables	**24,332,144**	26,828,583
Other receivables	**8,334,963**	44,576,438
Bank balances	**63,403,036**	64,506,200
Financial assets at amortized cost	**5,000,000**	8,000,000
	101,070,143	143,911,221

As at the reporting date, receivable overdue for more than six months amounting to SR 1.33 million. The total allowance for credit losses at December 31, 2018 amounted to SR 1.03 million (December 31, 2017 SR 0.78 million and January 01, 2017 SR nil respectively). Trade receivables and long term receivables are mainly due from related parties where the Group considers that there are no past due or impaired receivables from these parties.

Concentration Risk

The maximum exposure to credit risk for trade receivables and other receivables by geographic region is as follows:

	December 31, 2018	December 31, 2017
Saudi Arabia	**32,925,019**	24,106,756
Great Britain	**1,986,317**	5,578,684
United States of America	**989,246**	3,677,766
Other Regions	**6,810,118**	11,572,181
Less: Allowance for doubtful debts	**(1,030,717)**	--
	41,679,983	44,935,387

Liquidity risk

Liquidity risk is the risk that an enterprise 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 monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

(Expressed in Saudi Riyals)

24. FINANCIAL RISK MANAGEMENT (continued)

The Group's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For this purpose, assets are managed with liquidity in perspective, maintaining a healthy balance of cash and cash equivalents. Moreover, the maturity profile of financial assets and liabilities is monitored on a regular basis to identify mismatches.

The contractual maturities of financial liabilities at the reporting date are less than six months. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

25. CAPITAL MANAGEMENT

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

During the year ended December 31, 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.

	December 31, 2018	December 31, 2017
Capital base:		
Tier I capital	**325,049,081**	299,893,700
Tier II capital	**(29,695)**	274,104
Total	**325,019,386**	300,167,804
Minimum capital requirement:		
Credit Risks	**65,560,442**	145,372,885
Market Risks	**25,988,077**	13,989,723
Operational Risks	**30,472,807**	25,201,750
Total	**122,021,326**	184,564,358
Total capital ratio	**2.66**	1.63
Surplus in Capital	**202,998,060**	115,603,446

26. FIDUCIARY ASSETS

As at the balance sheet date, the Company's fiduciary assets (represented by assets under management and advisory) amounted to SR 19.96 billion (December 31, 2017 SR 19.03 billion).

27. FIRST-TIME ADOPTION OF IFRS

As stated in note 2(a), these are the Group's first IFRS consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended December 31, 2018 and in the preparation of an opening IFRS statement of financial position as at January 1, 2017 (the Group's date of transition).

i. Effect of transition to IFRS

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with generally accepted accounting standards as issued by SOCPA (SOCPA GAAP). An explanation of how the transition from SOCPA GAAP to IFRS has affected the Group's financial position, for the respective years, is set out in the following tables and the notes that accompany the tables.

(Expressed in Saudi Riyals)

27. FIRST-TIME ADOPTION OF IFRS (continued)

The following is a reconciliation of the Group's consolidated statement of financial position reported in accordance with SOCPA GAAP to its consolidated statement of financial position under IFRS as endorsed in KSA at 01 January 2017 (date of transition to IFRS):

	Notes	SOCPA GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets:				
Cash and cash equivalents	*27(a)*	97,028,667	3,501,014	**100,529,681**
Murabaha investments		25,000,000	--	**25,000,000**
Accounts receivable and accrued income	*27(a), 27(c)*	27,610,377	3,632,124	**31,242,501**
Held for trading investments		48,000,000	--	**48,000,000**
Prepayments and other current assets	*27(a)*	5,628,423	140,625	**5,769,048**
Properties held for sale		56,695,191	-	**56,695,191**
Total current assets		259,962,658	7,273,763	**267,236,421**
Non-current assets:				
Financial investments	*27(a)*	64,513,185	(1,630,159)	**62,883,026**
Property and equipment	*27(a)*	2,156,168	432,081	**2,588,249**
Intangible assets		154,862	--	**154,862**
Total non-current assets		66,824,215	(1,198,078)	**65,626,137**
Total assets		326,786,873	6,075,685	**332,862,558**
LIABILITIES AND EQUITY				
Current liabilities:				
Accrued expenses and other current liabilities	*27(a)*	33,688,865	5,797,364	**39,486,229**
Accrued Zakat and Tax	*27(a)*	8,187,975	118,923	**8,306,898**
Total current liabilities		41,876,840	5,916,287	**47,793,127**
Non-current liabilities:				
Employees' end of service benefits	*27(b)*	13,264,308	653,692	**13,918,000**
Total liabilities		55,141,148	6,569,979	**61,711,127**
Equity:				
Share capital		200,000,000	--	**200,000,000**
Unrealized loss on available for sale investments		(290,110)	--	**(290,110)**
Exchange translation reserve		--	(57,216)	**(57,216)**
Statutory reserve		8,193,583	16,106	**8,209,689**
Retained earnings		63,742,252	(459,936)	**63,282,316**
Equity attributable to Company's shareholders		271,645,725	(501,046)	**271,144,679**
Non-controlling interest	*27(a)*	--	6,752	**6,752**
Total equity		271,645,725	(494,294)	**271,151,431**
Total liabilities and equity		326,786,873	6,075,685	**332,862,558**

(Expressed in Saudi Riyals)

27. FIRST-TIME ADOPTION OF IFRS (continued)

The following is a reconciliation of the Group's consolidated statement of financial position reported in accordance with SOCPA GAAP to its consolidated statement of financial position under IFRS as endorsed in KSA at December 31, 2017:

	Notes	SOCPA GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets:				
Cash and cash equivalents	*27(a)*	89,518,200	14,468,429	**103,986,629**
Accounts receivable and accrued income	*27(a), 27(c)*	41,812,858	3,122,529	**44,935,387**
Held for trading investments		56,656,040	--	**56,656,040**
Prepayments and other current assets	*27(d), 27(a)*	49,016,777	(1,371,240)	**47,645,537**
Properties held for sale		56,695,191	--	**56,695,191**
Total current assets		293,699,066	16,219,718	**309,918,784**
Non-current assets:				
Financial investments	*27(a)*	61,443,453	(1,630,159)	**59,813,294**
Property and equipment	*27(a)*	2,615,877	533,455	**3,149,332**
Intangible assets		105,750	--	**105,750**
Total non-current assets		64,165,080	(1,096,704)	**63,068,376**
Total assets		357,864,146	15,123,014	**372,987,160**
LIABILITIES AND EQUITY				
Current liabilities:				
Accrued expenses and other current liabilities	*27(a)*	34,394,920	7,804,869	**42,199,789**
Accrued Zakat and Tax	*27(a)*	9,159,794	197,535	**9,357,329**
Total current liabilities		43,554,714	8,002,404	**51,557,118**
Non-current liabilities:				
Employees' end of service benefits	*27(b)*	14,034,728	1,151,272	**15,186,000**
Total liabilities		57,589,442	9,153,676	**66,743,118**
Equity:				
Share capital		200,000,000	--	**200,000,000**
Unrealized loss on available for sale investments		274,104	--	**274,104**
Exchange translation reserve		--	20,901	**20,901**
Statutory reserve		12,020,060	16,106	**12,036,166**
Retained earnings		87,980,540	(1,757,687)	**86,222,853**
Equity attributable to Company's shareholders		300,274,704	(1,720,680)	**298,554,024**
Non-controlling interest	*27(a)*	--	7,690,018	**7,690,018**
Total equity		300,274,704	5,969,338	**306,244,042**
Total liabilities and equity		357,864,146	15,123,014	**372,987,160**

(Expressed in Saudi Riyals)

27. FIRST-TIME ADOPTION OF IFRS (continued)

The following is a reconciliation of the Group's consolidated statement of income reported in accordance with SOCPA GAAP to its consolidated statement of profit or loss and other comprehensive income under IFRS as endorsed in KSA for the year ended December 31, 2017:

	Notes	SOCPA GAAP	Effect of transition to IFRS	IFRS
Operating income:				
Fee from services	27(a)	128,115,149	22,392,093	**150,507,242**
Income from financial investments	27(a), 27(b)	10,956,465	(558,529)	**10,397,936**
Total operating income		139,071,614	21,833,564	**160,905,178**
Operating expenses:				
Salaries and employees related expenses	27(b)	(68,580,526)	(1,737,344)	**(70,317,870)**
Investment management fee	27(a)	--	(23,398,233)	**(23,398,233)**
General and administrative expenses	27(a), 27(d)	(22,021,475)	(48,151)	**(22,069,626)**
Marketing expenses		(2,074,979)	--	**(2,074,979)**
Total operating expenses		(92,676,980)	(25,183,728)	**(117,860,708)**
Net operating income		46,394,634	(3,350,164)	**43,044,470**
Other income	27(a)	--	1,090,195	**1,090,195**
Financial charges		--	--	**-**
Foreign exchange loss and other expenses, net		(1,164,093)	--	**(1,164,093)**
Net profit before Zakat		45,230,541	(2,259,969)	**42,970,572**
Zakat and Income-tax	27(a)	(6,965,776)	(31,518)	**(6,997,294)**
Net profit for the year		38,264,765	(2,291,487)	**35,973,278**
Other comprehensive income:				
Items that will not be reclassified to consolidated statement of profit or loss in subsequent period:				
Re-measurement of provison for employees' terminal benefits	27(b)	--	(323,000)	**(323,000)**
Items that will be reclassified to consolidated statement of profit or loss in subsequent period:				
Net change in fair value of Available for sale investments		**564,214**	--	**564,214**
Net movement in foreign exchange retranslation reserve	27(a)	--	**78,117**	**78,117**
Total comprehensive income for the year		38,828,979	(2,536,370)	**36,292,609**

(Expressed in Saudi Riyals)

27. FIRST-TIME ADOPTION OF IFRS (continued)

The following is a reconciliation of the Group's retained earnings reported in accordance with SOCPA GAAP to its consolidated statement of financial position under IFRS as endorsed in KSA:

Description	Notes	December 31, 2017	January 1, 2017
Retained earnings as reported previously		87,980,540	63,742,252
Employee benefits	27 (b)	(1,151,272)	(653,692)
Dividend income on accrual basis	27 (c)	--	(212,899)
Write-off of pre-operating expenses	27 (d)	(1,530,728)	--
Impact of consolidation of immaterial subsidiaries	27 (a)	954,958	406,655
Share of adjustment to NCI	27 (a)	(30,645)	--
Retained earnings as restated		86,222,853	63,282,316

a) Consolidation of entities previously recognized as financial investments under SOCPA

Based on the guidance available in SOCPA GAAP, the Group did not consolidate its immaterial and temporary controlled investees. Under IFRS, an investee is consolidated irrespective of the materiality, where the Group is exposed to or has rights to the variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Therefore, upon transition to IFRS, the Company has reassessed its investments in those investees and it was concluded that the Company has control over those investees as per the requirements of IFRS 10. Accordingly, assets and liabilities of those investees have been consolidated in these consolidated financial statements. The resultant impact on retained earnings was SR 954,958 as reported in the audited financial statements for the year ended December 31, 2017 (January 01, 2017: SR 406,655) have been included, after required IFRS adjustments, in these consolidated financial statements.

Further, a non-controlling interest amounting to SR 6,752 has also been recognized as at the date of transition (December 31, 2017: SR 7,690,018). The assets and liabilities included in these consolidated financial statements as a result of consolidation those investees are as follows:

	December 31, 2017	January 01, 2017
Non-current Assets		
Property and equipment	533,455	432,081
Total non-current assets	533,455	432,081
Current Assets		
Accounts receivable and accrued income	3,122,529	3,845,023
Prepayments and other current assets	159,488	140,625
Cash and cash equivalents	14,468,429	3,501,014
Total current assets	17,750,446	7,486,662
Total assets	18,283,901	7,918,743
Current Liabilities		
Accouts payable, accruals and other current liabilities	7,804,869	5,797,364
Accrued tax	197,535	118,923
Total Liabilities	8,002,404	5,916,287

(Expressed in Saudi Riyals)

27. FIRST-TIME ADOPTION OF IFRS (continued)

a) Consolidation of entities previously recognized as financial investments under SOCPA

The operating results included in these consolidated financial statements as a result of consolidation of those investees are as follows:

	December 31, 2017
Fee from services	22,392,093
Income from investments	(771,428)
Total revenue	21,620,665
Operating expenses:	
Salaries and employees related expenses	(1,562,764)
Investment management fee	(23,398,233)
General and administrative expenses	1,482,577
Results from operating activities	(1,857,755)
Other income	1,090,195
Profit before income-tax	(767,560)
Income-tax	(31,518)
Net profit for the year	(799,078)

b) Employee benefits

Under the SOCPA GAAP, the Group accounted for obligations under employees' end of service benefits with reference to the mode of computation stipulated under the corresponding labour law. Upon transition to IFRS, the Group accounts for such end of service benefits as defined benefit obligations. Accordingly, the Group has appointed an independent actuary for the computation of the IFRS transitional defined benefit liability as at January 1, 2017 and onwards. As at the date of transition, employees’ end of service benefit liability has increased by SR 653,692 with the corresponding decrease in retained earnings by SR 653,692.

Moreover, the Group’s employees’ end of service benefit charge has increased by SR 174,580 during the year ended December 31, 2017.

Upon determination of the employes end of service benefits liability as per the actuarial valuation method an actuarial loss amounting to SR 323,000 has been recognized in Other Comprehensive Income with a corresponding increase in the liability, for the year ended December 31, 2017.

(Expressed in Saudi Riyals)

27. FIRST-TIME ADOPTION OF IFRS (continued)

c) Dividend income from equity investments

Under the SOCPA GAAP, the Group has a policy to recognize the dividend income from equity investments on an accrual basis. Upon transition to IFRS, the Group was required to record the dividend income only when the right to receive payment is established. As at the date of transition, retained earnings was reduced by SR 212,899 due to reversal of accrued dividend income. During the year ended December 31, 2017, additional dividend income of SR 212,899 was recorded in consolidated statement of profit or loss and other comprehensive income.

d) Capatalization of pre-operating expenses

Under the SOCPA GAAP, the Group has capitalized certain pre-operating expenses amounting to SR 1,530,728 related to a launch of a fund under management. Such expenses were capatlaized as the Group was entitled to receive future benefits in the form of subscription and incorporation fees upon launch of the fund. Upon transition to IFRS, such capitalized expenses did not meet the definition of an asset and therefore were charged off to consolidated statement of profit and loss and other comprehensive income in the year ended December 31, 2017.

28. EFFECT OF IMPLEMENTATION OF IFRS 9

The Group's adoption of IFRS 9, resulted in the following changes to components of equity as at January 1, 2018:

Reclassification of AFS reserve to retained earnings for financial assets classified as FVTPL from AFS	274,104
Recognition of ECL	(786,183)
Net impact on retained earnings as at January 1, 2018	**(512,079)**

29. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved and authorized for issue on 5 Rajab 1440H, corresponding to 12 March 2019.