MALAZ CAPITAL COMPANY
(A Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
AND INDEPENDENT AUDITOR'S REPORT

MALAZ CAPITAL COMPANY
(A Closed Joint Stock Company)
FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018
TABLE OF CONTENTS

الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

P.O. Box 8736, Riyadh 11492
Tel. : +966 11 278 0608
Fax : +966 11 278 2883
info@alamri.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Malaz Capital Company
Riyadh, Kingdom of Saudi Arabia

Opinion
We have audited the financial statements of **Malaz Capital Company** (the "Company") which comprise the statement of financial position as at 31 December 2018 and the statements of profit or loss, other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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

Other matter
The financial statements of the Company for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 March 2018.

Responsibilities of Management and Those Charged with Governance for the financial statements
The Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia, other standards and versions endorsed by SOCPA, the requirements of Capital Market Authority in the Kingdom of Saudi Arabia, and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance are responsible for overseeing the Company`s financial reporting process.

P.O. Box 8736, Riyadh 11492
Tel. : +966 11 278 0608
Fax : +966 11 278 2883
info@alamri.com

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company`s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company`s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

For Dr. Mohamed Al-Amri & Co.,

د. محمد العمري وشركاه - محاسبون قانونيون
س. ت : ١٠١٠٢٣٩٨٢
Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Jamal M. Al-Amri
Certified Public Accountant
Registration No. 331

Riyadh, on: 28 Jumada 'II 1440 (H)
Corresponding to: 5 March 2019 (G)

Malaz Capital Company (A Closed Joint Stock Company)
Statement of Financial Position
As at 31 December 2018
(Amounts in Saudi Riyals)

Assets	Notes	31 December 2018	31 December 2017	1 January 2017
Non-current assets				
Property and equipment, net	5	**348,708**	920,973	1,544,624
Intangible assets, net	6	**501,923**	807,526	481,038
Investments	7	**26,653,877**	25,374,705	17,203,751
Total non-current assets		**27,504,508**	27,103,204	19,229,413
Current assets				
Trade receivables	8	**64,166**	328,972	120,330
Due from related party	9	**48,598**	-	-
Prepayments and other current assets	10	**5,433,948**	4,227,550	2,061,803
Short term deposits		**-**	-	16,000,000
Cash and cash equivalents	11	**3,790,356**	9,858,341	12,543,701
Total current assets		**9,337,068**	14,414,863	30,725,834
Total assets		**36,841,576**	41,518,067	49,955,247
Shareholders' Equity and liabilities				
Shareholders' Equity				
Share capital	12	**50,000,000**	60,000,000	60,000,000
Statutory reserve	13.1	**501,739**	501,739	501,739
Other reserves	13.2	**(137,857)**	(55,407)	-
Accumulated losses		**(22,138,359)**	(28,873,880)	(24,347,511)
Total shareholders' equity		**28,225,523**	31,572,452	36,154,228
Non-current liabilities				
End of service benefits	14	**2,208,385**	2,382,057	1,937,270
Total non-current liabilities		**2,208,385**	2,382,057	1,937,270
Current liabilities				
Trade and other payables	15	**5,906,180**	6,911,124	9,680,068
Provision for Zakat	16	**474,931**	539,627	796,706
Due to related party	9	**-**	86,250	-
Provision against losses of an equity-accounted investee	17	**26,557**	26,557	1,386,975
Total current liabilities		**6,407,668**	7,563,558	11,863,749
Total liabilities		**8,616,053**	9,945,615	13,801,019
Total equity and liabilities		**36,841,576**	41,518,067	49,955,247
CONTINGENCIES AND COMMITMENTS	25	**1,277,250**	1,581,255	2,884,095

The accompanying notes from 1 to 26 form an integral part of these financial statements

Statement of Profit or Loss
For the year ended 31 December 2018
(Amounts in Saudi Riyals)

	Notes	2018	2017
Management fees		**13,398,763**	14,737,500
Custody and administration fees		**1,226,441**	1,782,693
Structuring fees		**2,100,000**	-
Nominee and setup fees		**411,667**	-
Dividend income		**417,311**	485,481
Special commission income		**262,195**	184,042
Other income	18	**1,879,934**	-
Total operating income		**19,696,311**	17,189,716
Loss on financial assets	19	**-**	(516,947)
Gain on transfer of a financial asset	7	**-**	1,795,833
Gain on disposal of financial assets measured at FVTPL		**-**	979,400
Unrealized fair value gain / (loss) on financial assets FVTPL	7	**1,398,119**	(605,084)
General and administration expenses	20	**(23,868,983)**	(24,349,457)
Total operating expenses		**(22,470,864)**	(22,696,255)
Loss from operating activities		**(2,774,553)**	(5,506,539)
Share of income in equity accounted investee	17	**-**	1,360,418
Net loss before zakat		**(2,774,553)**	(4,146,121)
Zakat for the year	16	**(489,926)**	(380,248)
Net loss for the year		**(3,264,479)**	(4,526,369)

The accompanying notes from 1 to 26 form an integral part of these financial statements

Malaz Capital Company (A Closed Joint Stock Company)

Statement of Other Comprehensive Income
For the year ended 31 December 2018
(Amounts in Saudi Riyals)

	Notes	2018	2017
Net loss for the year		**(3,264,479)**	(4,526,369)
Items to be reclassified subsequently to statement of profit or loss:			
Net movement on investment in debt instrument (FVOCI)	7	**(82,450)**	(55,407)
Other comprehensive income not to be reclassified subsequently to statement of profit or loss:			
Re-measurement gain / (loss) on end of service benefits		**-**	-
Other comprehensive loss for the year		**(82,450)**	(55,407)
Total comprehensive loss for the year		**(3,346,929)**	(4,581,776)

The accompanying notes from 1 to 26 form an integral part of these financial statements

Malaz Capital Company **(A Closed Joint Stock Company)**

Statement of Changes in Shareholders' Equity
For the year ended 31 December 2018
(Amounts in Saudi Riyals)

	Notes	Share capital	Statutory reserve	Other reserves	Accumulated losses	Total
Balance as at 1 January 2017		60,000,000	501,739	-	(24,347,511)	36,154,228
Net loss for the year		-	-	-	(4,526,369)	(4,526,369)
Other comprehensive loss for the year	7	-	-	(55,407)	-	(55,407)
Total comprehensive loss for the year		-	-	(55,407)	(4,526,369)	(4,581,776)
Balance as at 31 December 2017		**60,000,000**	**501,739**	**(55,407)**	**(28,873,880)**	**31,572,452**
Net loss for the year		**-**	**-**	**-**	**(3,264,479)**	**(3,264,479)**
Other comprehensive loss for the year	7	**-**	**-**	**(82,450)**	**-**	**(82,450)**
Total comprehensive loss for the year		**-**	**-**	**(82,450)**	**(3,264,479)**	**(3,346,929)**
Reduction of share capital	12	**(10,000,000)**	**-**	**-**	**10,000,000**	**-**
Balance as at 31 December 2018		**50,000,000**	**501,739**	**(137,857)**	**(22,138,359)**	**28,225,523**

The accompanying notes from 1 to 26 form an integral part of these financial statements

Statement of Cash Flows
For the year ended 31 December 2018
(Amounts in Saudi Riyals)

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before Zakat		**(2,774,553)**	(4,146,121)
Adjustments to reconcile net loss to net cash generated from operating activities:			
Depreciation and amortization	5,6	**909,307**	795,218
Provision for end of service benefits	14	**416,044**	628,861
Amortization of premium on financial assets - FVOCI	7	**36,497**	-
Unrealized fair value (gain) / loss on financial assets – FVTPL	7	**(1,398,119)**	605,084
Share of income of an equity-accounted investee	17	**-**	(1,360,418)
		(2,810,824)	(3,477,376)
Changes in operating assets and liabilities			
Trade receivables	15	**264,806**	(208,642)
Due from / to a related party	9	**(134,848)**	86,250
Prepayments and other current assets	10	**(1,206,398)**	(2,165,746)
Trade and other payables		**(1,004,944)**	(2,768,944)
Financial asset recognized at amortized cost - Loan to equity investee	7	**-**	1,954,162
Additions in operating financial assets	7	**-**	(16,605,926)
Disposals in operating financial assets	7	**-**	5,820,318
Cash used in operations		**(4,892,208)**	(17,365,904)
End of service benefits paid		**(589,716)**	(184,074)
Zakat and taxes paid during the year	16	**(554,622)**	(637,327)
Net cash used in operating activities		**(6,036,546)**	(18,187,305)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(23,914)**	(43,890)
Purchase of intangible assets	6	**(7,525)**	(457,364)
Proceed from disposal of property and equipment		**-**	3,199
Short term deposits		-	16,000,000
Net cash (used in) / generated from investing activities		**(31,439)**	15,501,945
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities		**-**	-
Net movement in cash and cash equivalents		**(6,067,985)**	(2,685,360)
Cash and cash equivalents at beginning of the year	11	**9,858,341**	12,543,701
Cash and cash equivalents at end of the year	11	**3,790,356**	9,858,341
Non cash supplemental information:			
Change in fair value (gain) on financial assets FVOCI		**(82,450)**	(55,407)

The accompanying notes from 1 to 26 form an integral part of these financial statements

1. Organization and principal activities

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

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

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the years presented in the financial statements.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA"). The requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" have been applied in preparing these financial statements. Refer to note 4 which discloses the impact of adopting IFRS in these financial statements.

The Company prepared its financial statements in accordance with the accounting standards promulgated by SOCPA, for all periods up to and including 31 December 2017. The financial statements for the year ended 31 December 2018 are the first financial statements the Company has prepared in accordance with IFRS as issued by IASB and as endorsed by SOCPA. Refer to note 4 for an explanation of how the transition from generally accepted accounting standards in the Kingdom of Saudi Arabia to IFRS has affected the Company's financial position and financial performance.

2.2 Investment in Special purpose entities (SPEs)

The Company has shareholding in certain special purpose entities ("SPEs"), primarily for the purpose of holding the legal title of investments which are beneficially owned by the mutual funds managed by the Company. These entities are not consolidated to the Company's financial statements as the Company does not have power over these entities, nor it is exposed or has a right to variable returns from its involvement with these entities and does not have the ability to affect those returns through its power over these entities. These SPEs incorporated in Kingdom of Saudi Arabia:

- Second Malaz commercial Company;
- Saudi Technology Fund Company Limited
- Salwa Malaz commercial Company; and
- Fourth Malaz commercial Company

2.3 Basis of measurement

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

2.4 Functional and presentation currency

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

2. Significant accounting policies (continued)

2.5 Significant accounting judgements, estimates and assumptions

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of investments not quoted in an active market

The fair values of securities that are not quoted in an active market are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions. The models used to determine fair values are validated and periodically reviewed by the management. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. In discounted cash flow models, unobservable inputs are the projected cash flows of the relevant portfolio company and the risk premium for liquidity and credit risk that are incorporated into the discount rate.

However, the discount rates used for valuing equity securities are determined based on historic equity returns for other entities operating in the same industry for which market returns are observable. Management uses models to adjust the observed equity returns to reflect the actual debt/equity financing structure of the valued equity investment.

Models are calibrated by back-testing to actual results/exit prices achieved to ensure that outputs are reliable.

2.6 Summary of Significant Accounting Policies

(a) Fair value measurement

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or;
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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:

2. Significant accounting policies (continued)

(a) *Fair value measurement* (continued)

- 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

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the related notes.

(b) *Revenue recognition*

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. IFRS 15 specifies that the requirements an entity must apply to measure and recognize revenue and the related cash flows. The core principle of the standard is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to a customer.

Rendering of services
The Company recognizes revenue only when it satisfies a performance obligation by transferring control of a promised service to the customer. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the service. In preparing to IFRS 15, the Company is considering the following

The transaction price is the amount of consideration to which an entity expects to be entitled. It includes an estimate of any variable consideration, the effect of a significant financing component (i.e., the time value of money), the fair value of any non-cash consideration and the effect of any consideration paid or payable to a customer.

IFRS 15 limits the amount of variable consideration an entity can include in the transaction price to the amount for which it is highly probable that a significant revenue reversal will not occur when the uncertainties related to the variability are resolved. That is, the standard requires an entity to apply a constraint on variable consideration.

The Company must determine the amount of the transaction price at the contract inception and revisit this determination at the end of each subsequent reporting period. The Company determines the constraint on variable consideration at the end of each reporting period. Part of the variable consideration may be included in the transaction price, even though the total expected amount may not be included due to the constraint (i.e., part of the performance-based fee may be recognized even though the full amount may not be recognized due to the constraint).

Base management fees
Base management fees represent variable consideration which is based on each fixed percentage of the fund size. The transaction price will generally include the amount determined at the end of the period(s). There may be a few exceptions that could complicate recognition when the calculation date is not the same as the reporting date. Estimates of future period management fees would generally not be included in the transaction price because they would be constrained.

2. Significant accounting policies (continued)

(c) Finance income and finance costs

The Company's finance income and finance costs include:
- Interest income
- Interest expense
- Dividend income

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which company's right to receive the payment is established.
The effective rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of financial instruments to;
- The gross carrying amount of the financial asset; or
- The amortized cost of financial liability

In calculating the interest income and expense, the effective interest rate is applied on the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortized cost of the liability. However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of financial asset. If the assets is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

(d) Financial instruments

Recognition and initial measurement
Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

According to IFRS 9, a financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets
On initial recognition, a financial asset is measured at: amortized cost; fair value through other comprehensive income FVOCI – (debt investment and equity investment); or fair value through profit or loss (FVTPL).

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

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (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.

A debt investment is measured at fair value through other comprehensive income (FVOCI) if it meets both of the following conditions and is not designated as at fair value through profit or loss (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.

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income (FVOCI) as described above are measured at fair value through profit or loss (FVTPL). This includes all derivative financial assets, if any. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value though profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment
The Company makes an assessment of the objective of the business model in which a financial 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. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company'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 of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.
- Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss (FVTPL).

Financial assets: Assessment whether contractual cash flows is solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Company 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 this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

i) Financial assets at fair value through profit or loss (FVTPL)
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

ii) Financial assets at amortized cost
These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

iii) Debt investments at fair value other comprehensive income (FVOCI)
These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

iv) Equity investments at fair value through comprehensive income (FVOCI)
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

De-recognition
The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not de-recognized.

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

Impairment of financial instruments and contract assets
The Company recognizes loss allowances for expected credit losses (ECLs) on: – financial assets measured at amortized cost;
– Debt investments measured at fair value through other comprehensive income (FVOCI); and
– Contract assets (as defined in IFRS 15).

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

The Company measures loss allowances at an amount equal to lifetime expected credit losses (ECL), except for the following, which are measured as 12-month ECL:
– Debt securities that are determined to have low credit risk at the reporting date; and
– Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.
The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:
– The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
– The financial asset is 90 days or more past due.

Lifetime expected credit losses (ECLs) are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12 months expected credit losses are the portion of ECLs that result from default events that are possible within the12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of expected credit losses (ECLs)
Expected credit losses are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at fair value through other comprehensive income (FVOCI) are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:
– Significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or being more than 90 days past due;
– the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
– it is probable that the borrower will enter bankruptcy or other financial reorganization; or
– the disappearance of an active market for a security because of financial difficulties.

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

Presentation of allowance for expected credit loss *in the statement of financial position*
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at fair value through other comprehensive income (FVOCI), the loss allowance is charged to the statement of other comprehensive income.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Financial liabilities: Subsequent measurement
The Company categorizes its financial liabilities into two measurement categories: FVTPL and amortized cost.

The Company designates a financial liability as measured at FVTPL when it meets the definition of held for trading or when they are designated as such on initial recognition using the fair value option.

Gains and losses on financial liabilities designated as at FVTPL are split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount in profit or loss. The Company recognizes the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. That determination is made at initial recognition and is not reassessed.

Cumulative gains or losses presented in other comprehensive income are subsequently transferred within equity.

Financial liabilities not held at FVTPL are subsequently measured at amortized cost using the effective interest method.

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

De-recognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Current and non-current classification
An asset (liability) category combines amounts that will be received (settled) after 12 months with assets (liabilities) that will be received (settled) within 12 months. Current assets are assets that are:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

2. Significant accounting policies (continued)

(d) Financial instruments (continued)

All other assets are classified as non-current.

Current liabilities are those:
- Expected to be settled within the entity's normal operating cycle
- Held for purpose of trading
- Due to be settled within 12 months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

Other liabilities are classified as non-current.

(e) Accounts receivables

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

(f) Investment in an associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Company's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit or represents profit or loss after tax and non- controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss as 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

(g) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks in current accounts and on hand and short-term deposits with a maturity of less than one year from the placement date, which are subject to an insignificant risk of changes in value.

2. Significant accounting policies (continued)

(h) Property and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in statement of income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

	Years
Lease hold improvement	Shorter of lease term or economic lif
Furniture and office equipment	4
Computers and software	3
Mobiles	3
Vehicles	4

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is de-recognized.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(i) Intangible assets, net

Intangible assets include software acquired by the Company. Subsequent expenditures are capitalized only when it increases the future economic benefits to be obtained from these intangible assets. All intangible assets acquired by the Company are measured at cost less accumulated amortization and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is de-recognized.

2. Significant accounting policies (continued)

(j) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(k) Operating lease

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

(l) Zakat

The Company is subject to zakat in accordance with the regulations of General Authority of Zakat and Income Tax (“GAZT”). Zakat is accrued and charged to income currently. Additional zakat liability, if any, related to prior years’ assessments arising from GAZT are accounted for in the period in which the final assessments are finalized.

(m) Trade date accounting

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

(n) Employees’ end of service benefits

- *Short-term obligations*

  Short-term benefits are those amounts expected to be settled wholly within 12 months of the end of the period in which the employees render the service that gives rise to the benefits.

  Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves and benefits-in-kind that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented under other payables.

- *Post-employment obligation*

  The Company provides end of service benefits to its employees in accordance with the requirements of Saudi labor law. The entitlement to these benefits, is based upon the employees’ salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognized over the service period.

  The employees’ benefits obligation plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method and the liability is recorded based on an actuarial valuation.

  The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality United States government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

  Past-service costs are recognized immediately in the statement of profit or loss.

2. Significant accounting policies (continued)

(n) Employees' end of service benefits

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in Employees' benefit expense in the statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

(o) Assets held in a fiduciary capacity

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and accordingly are not included in the financial statements; these are treated as off-balance sheet items.

3. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below:

IFRS 16: Leases

The IASB has issued a new standard for the recognition of leases IFRS 16 "Leases". This standard will replace:

- IAS 17 Leases
- IFRIC 4 Whether an arrangement contains a lease
- SIC 15 Operating leases – Incentives
- SIC-27 Evaluating the substance of transactions involving the legal form of a lease

Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption of certain short-term leases and leases of low-value assets.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The mandatory date for adoption for the standard is 1 January 2019, and allows early adoption.

The Company is currently assessing the impact of the application of the standards and the amendments mentioned above.

4. First time adoption of International Financial Reporting Standards (IFRS)

From the period beginning 1 January 2018, the Company is required to prepare its first financial statements in accordance with the requirements of IFRS as endorsed by SOCPA in the KSA. The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows are presented in this section and are further explained in accompanying notes.

4.1 First-time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application of IFRSs. The Company has applied mandatory exceptions and certain optional exemptions, as set out below.

(Amounts in Saudi Riyals)

4. First time adoption of International Financial Reporting Standards (IFRS-Continued)

4.2 Reconciliation of statement of financial position as at 1 January 2017 (date of transition)

Assets	**Notes**	**1 January 2017 SOCPA**	**Effect of transition to IFRS**	**1 January 2017 IFRS**
Non-current assets				
Property and equipment, net	B	2,025,662	(481,038)	1,544,624
Intangible assets, net	B	-	481,038	481,038
Investments		17,203,751	-	17,203,751
		19,229,413	-	19,229,413
Current assets				
Trade receivables		120,330	-	120,330
Prepayments and other current assets		2,061,803	-	2,061,803
Cash and cash equivalents		12,543,701	-	12,543,701
Short term deposits		16,000,000	-	16,000,000
		30,725,834	-	30,725,834
Total assets		49,955,247	-	49,955,247
Equity and liabilities				
Equity				
Share capital		60,000,000	-	60,000,000
Statutory reserve		501,739	-	501,739
Other reserves	A	428,236	(428,236)	-
Accumulated losses	A,C	(24,708,115)	360,604	(24,347,511)
Total equity		36,221,860	(67,632)	36,154,228
Non-current liabilities				
End of service benefit liability	C	1,869,638	67,632	1,937,270
		1,869,638	67,632	1,937,270
Current liabilities				
Trade and other payables		9,680,068	-	9,680,068
Provision for zakat		796,706	-	796,706
Provision against losses of an equity-accounted investee		1,386,975	-	1,386,975
		11,863,749	-	11,863,749
Total liabilities		13,733,387	67,632	13,801,019
Total equity and liabilities		49,955,247	-	49,955,247

(Amounts in Saudi Riyals)

4.3 Reconciliation of statement of financial position as at 31 December 2017

Assets	**Notes**	**31 December 2017 SOCPA**	**Effect of transition to IFRS**	**31 December 2017 IFRS**
Non-current assets				
Property and equipment, net	B	1,728,499	(807,526)	920,973
Intangible assets, net	B	-	807,526	807,526
Investments		25,374,705	-	25,374,705
		27,103,204	-	27,103,204
Current assets				
Trade receivables		328,972	-	328,972
Prepayments and other current assets		4,227,550	-	4,227,550
Cash and cash equivalents		9,858,341	-	9,858,341
		14,414,863	-	14,414,863
Total assets		41,518,067	-	41,518,067
Equity and liabilities				
Equity				
Share capital		60,000,000	-	60,000,000
Statutory reserve		501,739	-	501,739
Other reserve	A	552,232	(607,639)	(55,407)
Accumulated losses	A,C	(29,346,977)	473,097	(28,873,880)
Total equity		31,706,994	(134,542)	31,572,452
Non-current liabilities				
End of service benefit liability	C	2,247,515	134,542	2,382,057
		2,247,515	134,542	2,382,057
Current liabilities				
Trade and other payables		6,911,124	-	6,911,124
Provision for Zakat		539,627	-	539,627
Due to related party		86,250	-	86,250
Provision against losses of an equity accounted investee		26,557	-	26,557
		7,563,558	-	7,563,558
Total liabilities		9,811,073	134,542	9,945,615
Total equity and liabilities		41,518,067	-	41,518,067

(Amounts in Saudi Riyals)

4.4 Reconciliation of statement of profit or loss for the year ended 31 December 2017

	Notes	31 December 2017 SOCPA	Effect of transition to IFRS	31 December 2017 IFRS
Management fees		14,737,500	-	14,737,500
Custody and administration fees		1,782,693	-	1,782,693
Dividend income		485,481	-	485,481
Special commission income		184,042	-	184,042
Total operating income		17,189,716	-	17,189,716
Loss on financial assets	A.3 A.2	494,399	(1,011,346)	(516,947)
Gain on transfer of financial asset	A.3	-	1,795,833	1,795,833
Gain on disposal of financial assets measured at FVTPL		979,400	-	979,400
Fair value loss on equity securities measured at FVTPL	A.1 A.2	-	(605,084)	(605,084)
General and administration expenses	C	(24,282,547)	(66,910)	(24,349,457)
Total operating expenses		(22,808,748)	112,493	(22,696,255)
Loss from operating activities		(5,619,032)	112,493	(5,506,539)
Share of income in equity accounted investee		1,360,418	-	1,360,418
Net loss before Zakat		(4,258,614)	112,493	(4,146,121)
Zakat for the year		(380,248)	-	(380,248)
Net loss for the year		(4,638,862)	112,493	(4,526,369)

4.5 Reconciliation of statement of other comprehensive income for the year ended 31 December 2017

	Notes	31 December 2017 SOCPA	Effect of transition to IFRS	31 December 2017 IFRS
Net loss for the year		(4,638,862)	112,493	(4,526,369)
Other comprehensive income to be reclassified subsequently to profit or loss				
Net movement on investment in debt instrument (FVOCI)		-	(55,407)	(55,407)
Other comprehensive income not to be reclassified subsequently to profit or loss				
Re-measurement gain / (loss) on end of service benefits		-	-	-
Other comprehensive loss for the year		-	(55,407)	(55,407)
Total comprehensive loss for the year, net of tax		(4,638,862)	57,086	(4,581,776)

(Amounts in Saudi Riyals)

4.6 Reconciliation of accumulated losses as at 31 December 2017

	Note	31 December 2017	1 January 2017
Total accumulated losses under previous GAAP (SOCPA)		**(29,346,977)**	(24,708,115)
Re-measurement of end of service benefits liability	**C**	**(134,542)**	(67,632)
Unrealized gain on FVTPL equity securities	**A.2**	**16,195**	-
Reclassification gain on equity securities measured at FVTPL	**A.1**	**591,444**	428,236
Total accumulated losses under IFRS		**(28,873,880)**	(24,347,511)

4.7 Notes to the reconciliation of accumulated losses as at 1 January 2017 and 31 December 2017 and total comprehensive income for the year ended 31 December 2017

A. **Investments in financial assets (IFRS 9 impact):**

1. Under SOCPA, the Company has classified their entire investments under 'available for sale securities'. However, upon the transition to IFRS, the Company ran their business models on each investments and classified their investment into investment measured at FVTPL amounted to SR. 15,249,589 and SR. 21,836,506 as at 1 January 2017 and 31 December 2017 respectively. Accordingly, the fair value gain on equity securities were also reclassified to accumulated losses amounted to SR. 428,236 and SR. 591,444 as at 1 January 2017 and 31 December 2017 respectively.

2. The impairment loss recognized in profit or loss amounted to SR. 768,292 related to available-for-sale securities was reclassified to change in fair value for investments measured at FVTPL.

3. There is represents gain on exchange of loan to associate with share of Ideal Rating at fair value.

B. Reclassification of Intangible assets
The Company recognized intangible assets amounting to SR 481,038 and SR. 807,526 as at 1 January 2017 and 31 December 2017 respectively as an item of property and equipment. These intangible assets have been reclassified on transition to IFRS and have been presented within intangible assets in the Statement of Financial Position.

C. End of service benefit
Under IFRS, employee end of service benefits are classified as a defined benefit obligation, which are required to be calculated using actuarial valuations. Historically, the Company calculated this obligation in accordance with Saudi labor law without considering expected future service period of employees, salary increments and discount rates. The Company made an assessment using an actuary which resulted in additional liability amounting to SR 67,632 and SR 134,542 for the years ended 1 January 2017 and 31 December 2017 respectively. There was no significant actuary gain or loss to be recognized in the other comprehensive income.

D. Statement of cash flows
There was no material change in statement of cash flows for the year ended 31 December 2017.

(Amounts in Saudi Riyals)

5. Property and equipment, net

	Leasehold improvement	Office Furniture	Computer	Vehicles	Mobile	Total
Cost:						
01 January 2017	2,112,020	674,080	680,425	117,150	52,481	3,636,156
Additions	-	26,817	17,073	-	-	43,890
Disposals	-	-	-	-	(3,199)	(3,199)
31 December 2017	**2,112,020**	**700,897**	**697,498**	**117,150**	**49,282**	**3,676,847**
Additions	**2,216**	**3,698**	**18,000**	**-**	**-**	**23,914**
31 December 2018	**2,114,236**	**704,595**	**715,498**	**117,150**	**49,282**	**3,700,761**
Accumulated depreciation:						
01 January 2017	1,031,039	424,245	491,502	96,506	48,240	2,091,532
Charge for the year	422,404	144,407	89,152	7,875	3,703	667,541
Disposals	-	-	-		(3,199)	(3,199)
31 December 2017	**1,453,443**	**568,652**	**580,654**	**104,381**	**48,744**	**2,755,874**
Charge for the year	**421,887**	**99,420**	**66,459**	**7,875**	**538**	**596,179**
31 December 2018	**1,875,330**	**668,072**	**647,113**	**112,256**	**49,282**	**3,352,053**
Net book value:						
31 December 2018	**238,906**	**36,523**	**68,385**	**4,894**	**-**	**348,708**
31 December 2017	658,577	132,245	116,844	12,769	538	920,973
1 January 2017	1,080,981	249,835	188,923	20,644	4,241	1,544,624

6. Intangible assets, net

Cost:	
01 January 2017	1,573,238
Additions	457,364
31 December 2017	**2,030,602**
Additions	7,525
31 December 2018	**2,038,127**
Accumulated depreciation:	
01 January 2017	1,092,200
Charge for the year	130,876
31 December 2017	**1,223,076**
Charge for the year	**313,128**
31 December 2018	**1,536,204**
Net book value:	
31 December 2018	**501,923**
31 December 2017	807,526
1 January 2017	481,038

(Amounts in Saudi Riyals)

7. Investments

		31 December 2018	31 December 2017	1 January 2017
Financial assets at fair value through profit or loss				
Listed equity securities	7.1	**9,802,446**	8,716,692	15,249,589
Unquoted foreign equity securities	7.2	**4,548,710**	3,749,995	-
Quoted perpetual bonds	7.3	**1,685,804**	1,706,611	-
Money market fund	7.4	**7,197,665**	7,663,208	-
		23,234,625	21,836,506	15,249,589
Financial asset recognized at amortized cost				
Loan to equity investee	7.5	**-**	-	1,954,162
Financial assets at fair value through other comprehensive income				
Quoted sukuks	7.6	**3,419,252**	3,538,199	-
		26,653,877	25,374,705	17,203,751

Financial assets measured at FVTPL

7.1 Listed equity securities

Cost:			
Balance at beginning of the year	**9,804,133**	15,624,451	15,624,451
Disposal	**-**	(5,820,318)	-
Balance at end of the year	**9,804,133**	9,804,133	15,624,451
Unrealized gain / (loss) on fair value			
Balance at beginning of the year	**(1,087,441)**	(374,862)	(1,251,702)
Unrealized gain / (loss) during the year, net	**1,085,754**	(712,579)	876,840
Balance at end of the year	**(1,687)**	(1,087,441)	(374,862)
Fair value at end of the year	**9,802,446**	8,716,692	15,249,589

7.1.1 These represent investment in equity securities listed on Saudi Stock Exchange.

7.2 Unquoted foreign equity securities

Cost:			
Balance at beginning and end of the year	**3,749,995**	-	-
Addition	**-**	3,749,995	-
	3,749,995	3,749,995	-
Unrealized gain / (loss) on fair value			
Balance at beginning of the year	**-**	-	-
Unrealized gain during the year, net	**798,715**	-	-
Balance at end of the year	**798,715**	-	-
Fair value at end of the year	**4,548,710**	3,749,995	

7.2.1 This represents shares acquired by the Company under a settlement agreement with an Associate. The gain from such settlement amounted to SR 1,795,833 was recognized in profit or loss statement for the year 2017.

(Amounts in Saudi Riyals)

7. Investments (continued)

	31 December 2018	31 December 2017	1 January 2017
7.3 Quoted perpetual bonds (Debt securities) measured at FVTPL			
Cost:			
Balance at beginning of the year	**1,762,324**	-	-
Additions	**-**	1,762,324	-
Balance at end of the year	**1,762,324**	1,762,324	-
Unrealized loss on fair value adjustment			
Balance at beginning of the year	**(55,713)**	-	-
Unrealized loss during the year, net	**(20,807)**	(55,713)	-
Balance at end of the year	**(76,520)**	(55,713)	-
Fair value at end of the year	**1,685,804**	1,706,611	-

7.3.1 These represent investment in Dubai Islamic Bank Tier 1 sukuk bonds which are perpetual in nature in and traded in Nashaq Dubai Stock Exchange markets.

	31 December 2018	31 December 2017	1 January 2017
7.4 Money market fund measured at FVTPL			
Balance at beginning of the year	**7,500,000**	-	-
Additions	-	7,500,000	
Balance at end of the year	**7,500,000**	7,500,000	-
Unrealized gain / loss on fair value			
Balance at beginning of the year	**163,208**	-	-
Unrealized gain / (loss) during the year	**(465,543)**	163,208	
Balance at end of the year	**(302,335)**	163,208	-
Fair value at end of the year	**7,197,665**	7,663,208	-

7.4.1 This represents investment made by the Company in ICD money market fund.

	31 December 2018	31 December 2017	1 January 2017
Financial asset at amortized cost			
7.5Loan to equity investee:			
Balance at beginning of the year	**-**	1,954,162	2,499,611
Additions	**-**	-	1,954,162
Repayment	**-**	(1,954,162)	(124,773)
Impairment loss	**-**	**-**	(2,374,838)
Balance at end of the year	**-**	**-**	1,954,162

(Amounts in Saudi Riyals)

7. Investments (continued)

	31 December 2018	31 December 2017	1 January 2017
Financial assets measured at FVOCI			
7.6 Quoted sukuks (Debt securities)			
Cost:			
Balance at beginning of the year	**3,593,606**	-	-
Additions	**-**	3,593,606	-
Balance at end of the year	**3,593,606**	3,593,606	-
Amortization of premium			
Amortized expenses during the year, net	**(36,497)**	-	-
	(36,497)	-	-
Unrealized loss on fair value			
Balance at beginning of the year	**(55,407)**	-	-
Unrealized loss during the year, net	**(82,450)**	(55,407)	-
Balance at end of the year	**(137,857)**	(55,407)	-
Fair value at end of the year	**3,419,252**	3,538,199	-

7.6.1 This represents investment in Sukuk issued by counterparties having sound credit ratings. These Sukuk are issued on Nasdaq Dubai Stock Exchange market. The details of these investments are as follows:

Description	Maturity date	2018	2017
EMG Sukuk Limited	18 June 2024	**1,670,129**	1,768,085
Alpha Star Holding Ltd	9 April 2019	**1,749,123**	1,770,114
		3,419,252	3,538,199

8. Trade and other receivables

	31 December 2018	31 December 2017	1 January 2017
Accounts receivables	**64,166**	328,972	120,330

(Amounts in Saudi Riyals)

9. Related party transaction and balances

Related parties of the Company include the funds under management, the Company's shareholders, its equity-accounted investee and affiliated companies and directors and key management personnel. Terms and conditions of these transactions are approved by the Company's management.

Significant related parties' transactions for the years ended 31 December and balances arising there from are described as under:

			Amount of Transaction		Closing Balance	
Name	**Relationship**	**Nature of transactions**	**2018**	2017	**31 Dec 2018**	31 Dec 2017
Loan to an equity- accounted investee						
Initiative Information Communication and Technology	Associate	Loan	**-**	(1,954,162)	**-**	-
Due from related parties						
Initiative Information Communication and Technology	Associate	Expenses paid	**33,711**	142,331	**33,711**	-
		Impairment loss (note 19)	**-**	142,331	**-**	-
Malaz real estate opportunities fund III	Funds under management	Professional services	**1,985,113**	-	**14,887**	-
Mutual funds under management	Funds Under Management	Administration and nominee fee	**1,000,000**	1,000,000	**-**	-
					48,598	-
Due to related parties						
Emcan Business Technologies and Communications Company	Affiliate	IT Services	**38,911**	17,388	**-**	-
Board of Directors	Board members	Board remuneration	**671,044**	1,215,000	**-**	-
Saudi SME fund - I	Funds under management	Professional services	**37,962**	149,625	**-**	43,125
Sara Villages (MREOFI)	Funds under management	Professional services	**11,762**	123,375		43,125
					-	86,250
Prepayment and other current assets						
Bupa Arabian for Cooperative Insurance Company	Affiliate	Others- Medical Insurance (note10)	**496,273**	514,518	**9,882**	-
Deferred received in advance						
Mutual funds under management	Funds under Management	Management fee (note 15)	**15,498,763**	14,737,500	**1,956,644**	1,956,644

(Amounts in Saudi Riyals)

9. Related party transaction and balances (continued)

Transactions with key management personnel

Compensation to key management personnel

	31 December 2018	31 December 2017
Short term employee benefits	**6,771,480**	6,495,480
Post-employment benefits	**1,721,204**	1,837,786
Total compensation paid to key management personnel	**8,492,684**	8,333,266

10. Prepayments and other current assets

	31 December 2018	31 December 2017	1 January 2017
Reimbursable expenses	**3,384,506**	2,364,456	1,244,951
Prepaid rent	**303,397**	305,283	310,682
Refundable deposit	**148,059**	148,059	148,059
Accrued special commission income	**72,883**	72,883	222,663
Margin deposit against bank guarantee	**1,101,416**	1,101,416	-
Others	**423,687**	235,453	135,448
	5,433,948	4,227,550	2,061,803

11. Cash and cash equivalents

Cash in hand	**6,000**	10,250	20,250
Cash at banks – current accounts	**3,784,356**	9,848,091	6,523,451
Short-term deposit with original maturity of less than 3 months (11.1)	**-**	-	6,000,000
Total	**3,790,356**	9,858,341	12,543,701

11.1 This represents short-term deposit placed with a local bank with an original maturity of less than 3 months and has an average special commission rate of 3.1% per annum (2017: 3.1%).

(Amounts in Saudi Riyals)

12. Share capital

The Company's share capital amounting to SR 50 million at 31 December 2018 (31 December 2017: SR 60 million) consists of 5,000,000 fully paid shares (31 December 2017: 6,000,000 fully paid shares) of SR 10 each. During the year, the shareholders of the Company resolved to reduce the share capital by SR 10 million via resolution dated 7 Muharram 1440 corresponding to 17 September 2018, and is distributed among the shareholders as follows:

2018

Shareholders	Nationality	Ownership (%)	No. of shares	Share capital (SR)
Abdulaziz Bin Abdullatif Bakr Jazzar	Saudi Arabia	33.33	1,666,667	16,666,667
Ahmad Bin Mohamad Salim Al Sari	Saudi Arabia	16.67	833,333	8,333,333
Nazer Group Holding Company	Saudi Arabia	16.67	833,333	8,333,333
Al-Najah Advanced Technology Company	Saudi Arabia	16.67	833,333	8,333,333
Salah Rashid Abdulrahman Al Rashid	Saudi Arabia	8.33	416,667	4,166,667
Sara International for Operation	Saudi Arabia	8.33	416,667	4,166,667
Total		100	5,000,000	50,000,000

2017

Shareholders	Nationality	Ownership (%)	No. of shares	Share capital (SR)
Abdulaziz Bin Abdullatif Bakr Jazzar	Saudi Arabia	33.33	2,000,000	20,000,000
Ahmad Bin Mohamad Salim Al Sari	Saudi Arabia	16.67	1,000,000	10,000,000
Nazer Group Holding Company	Saudi Arabia	16.67	1,000,000	10,000,000
Al-Najah Advanced Technology Company	Saudi Arabia	16.67	1,000,000	10,000,000
Salah Rashid Abdulrahman Al Rashid	Saudi Arabia	8.33	500,000	5,000,000
Sara International for Operation	Saudi Arabia	8.33	500,000	5,000,000
Total		100	6,000,000	60,000,000

13. Reserves

13.1 Statutory reserve

In accordance with the Company's By-laws and the previous Saudi Arabian Regulations for Companies, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 50% of the share capital. The new Saudi Arabian Regulations for Companies that came into effect on 25 Rajab 1437H (corresponding to May 2, 2016) requires companies to set aside 10% of its net income each year as statutory reserve until such reserve reaches 30% of the share capital.

This reserve is currently not available for distribution to the shareholders of the Company.

13.2 Other reserves

	31 December 2018	31 December 2017	1 January 2017
Balance at beginning of the year	**(55,407)**	-	-
Net change in fair value of debt securities measured at FVOCI	**(82,450)**	(55,407)	-
Balance at end of the year	**(137,857)**	(55,407)	-

(Amounts in Saudi Riyals)

14. End of service benefits

The Company has a post-employment defined benefit plan. The benefits are required by Saudi Labor and Workman Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

14.1 Amounts recognized in statement of financial position

	31 December 2018	31 December 2017	1 January 2017
Present value of defined benefit obligation	**2,208,385**	2,382,057	1,937,270

14.2 Net benefit expense recognized in the statement of profit or loss and statement of other comprehensive income and amounts recognized in the statement of financial position

Net benefit expense recognized in profit or loss	31 December 2018	31 December 2017
Current service cost	**509,119**	554,664
Interest cost on benefit obligation	**(93,075)**	74,197
Net benefit expense	**416,044**	628,861

14.3 Movement in the present value of defined benefit obligation

Defined benefit obligation at 1 January 2017	1,937,270
Interest cost	74,197
Current service cost	554,664
Actuarial gain or loss on the obligation recognized in the OCI	-
Benefits paid	(184,074)
Defined benefit obligation at 31 December 2017	**2,382,057**
Interest cost	**(93,075)**
Current service cost	**509,119**
Actuarial gain or loss on the obligation recognized in the OCI	**-**
Benefits paid	**(589,716)**
Defined benefit obligation at 31 December 2018	**2,208,385**

14.4 Reconciliation of net liability recognized in the statement of financial position

Net liability as at 1 January 2017	1,937,270
Charge recognized in statement of profit or loss	628,861
Actuarial gain or loss on the obligation recognized in the OCI	-
Benefits paid	(184,074)
Net liability at 31 December 2017	**2,382,057**
Charge recognized in statement of profit or loss	**416,044**
Actuarial gain or loss on the obligation recognized in the OCI	-
Benefits paid	**(589,716)**
Net liability at 31 December 2018	**2,208,385**

(Amounts in Saudi Riyals)

14.5 Principal actuarial assumptions

The following range of significant actuarial assumptions was used by the Company for the valuation of post-employment benefit liability:

	31 December 2018	31 December 2017	1 January 2017
Valuation discount rate	4.22%	3.47%	3.80%
Expected rate of increase in salary level	2.5%	2.5%	2.5%

14.6 Sensitivity analysis of actuarial assumptions

The impact of changes in sensitivities on present value of defined benefit obligation is as follows:

	31 December 2018	31 December 2017	1 January 2017
Actuarial assumptions			
Valuation discount rate			
Increase by 1%	**(2,129,776)**	(2,317,365)	(1,845,000)
Decrease by 1%	**2,296,371**	2,549,637	2,047,000
Expected rate of increase in salary level			
Increase by 1%	**2,311,356**	2,562,308	2,057,000
Decrease by 1%	**(2,114,064)**	(2,303,357)	(1,833,000)

15. Trade and other payables

	31 December 2018	31 December 2017	1 January 2017
Accrued employees' expenses	**2,069,162**	1,303,629	2,458,402
Consultation fee	**-**	295,619	711,196
Professional fee	**138,750**	312,500	1,049,063
Management fee rebate (15.1)	**586,833**	2,652,089	2,652,089
Management fee received in advance (15.2)	**1,956,644**	1,956,644	1,956,644
Trade and non trade payable	**936,232**	341,389	-
Others	**218,559**	49,254	852,674
	5,906,180	6,911,124	9,680,068

15.1 During the year, the Company has to pay a rebate against management fee to the unitholders of funds under management amounting to SR 586,833 (2017: SR 2,652,089).

15.2 This represents management fee received in advance from Malaz Real Estate Opportunities Fund I ("MREOF I"), a fund managed by the Company.

(Amounts in Saudi Riyals)

16. Provision for zakat

a. Movement of the Company's Zakat provision as follows:

	31 December 2018	31 December 2017	1 January 2017
Balance at beginning of the year	**539,627**	796,706	1,268,646
Payment made during the year	**(554,622)**	(637,327)	(1,118,183)
	(14,995)	159,379	150,463
Charge for the year – current year	**474,931**	539,627	646,243
– reversal of prior year's excess accrual	**-**	(159,379)	-
– prior years	**14,995**	-	-
	489,926	380,248	646,243
Balance at end of the year	**474,931**	539,627	796,706

b. The significant components of the Company's Zakat base comprise the following:

	31 December 2018	31 December 2017	1 January 2017
Adjusted shareholders' equity	**32,217,574**	37,875,012	36,019,255
Adjusted net income	**(2,034,081)**	(4,582,561)	4,590,634
Less:			
Property and equipment	**(850,630)**	(1,728,499)	(2,025,662)
Other investments	**(9,802,446)**	(9,978,872)	(15,249,589)
Zakat base	**19,530,417**	21,585,080	23,334,638

c. Zakat for the year is payable at 2.5% of higher of the Zakat base and adjusted net income attributable to Saudi shareholders. The Company has filed its Zakat returns with the GAZT up to year ended 31 December 2017 and received a zakat certificate for the year 2017.

17. Provision against losses of an equity-accounted investee

The movement in provision against losses of an equity-accounted investee is as follows:

	2018	2017
Balance at beginning of the year	**26,557**	1,386,975
Share of income / (loss)	**-**	(1,360,418)
Balance at end of the year	**26,557**	26,557

The Company holds 6.9% of share capital in the Associate. The cost of Company's investment in the Associate was SR 300,000, however, due to continuous recognition of Company's share in the Associate's losses over the years, the carrying value of investment reached to SR Nil (31 December 2017: SR Nil).

The Company, by virtue of letter of support, along with other shareholders of the associate, has committed to provide financial support to the associate when required. Accordingly, the provision to the extent of the Company's share of the associates' losses as at the yearend has been made in these financial statements.

18. Other income

	For the year ended 31 December 2018	2017
Reimbursement of commencement expenditure for funds managed by the Company	**1,879,934**	-
	1,879,934	-

(Amounts in Saudi Riyals)

19. Loss on financial assets

	For the year ended 31 December 2018	2017
Loss recognized on:		
Reimbursable expenses	-	(374,616)
Balance due from a related party	**-**	(142,331)
	-	(516,947)

20. General and administrative expenses

	2018	2017
Management fee rebate (a)	**3,755,556**	3,737,500
Employee related cost	**14,538,423**	14,130,337
Legal, professional and consultancy expenses	**1,285,349**	1,812,601
Rent	**1,333,526**	1,337,040
Depreciation (note 5)	**596,179**	667,541
Amortisation (note 6)	**313,128**	130,876
Communication and utilities	**300,136**	350,876
Travelling expenses	**174,056**	464,887
Government and subscription fee	**103,096**	100,240
Board members remuneration	**816,294**	866,348
IT & Networking related expense	**345,290**	227,032
License fee	**75,000**	75,000
Cleaning expense	**86,622**	72,000
Marketing fee	**-**	112,290
Others	**146,328**	264,889
	23,868,983	24,349,457

a) During the year, the Company has given a rebate against management fee to the unit-holder of funds under management amounting to SR 3,755,556 (2017: 3,737,500).

21. Financial risk management

The Company has exposure to the following risks arising from financial instruments:
– Credit risk;
– Liquidity risk; and
– Market risk.

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyzes the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

21. Financial risk management (continued)

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments in debt securities. The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets recognized in profit or loss.

Trade and other receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The risk management committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the risk management committee.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Market risk
Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the interest gaps for stipulated periods. The Company enters into interest rate derivatives, mainly interest rate swaps in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount in an effort to manage these risks.

The majority of interest rate exposure arises on investments in debt securities. Most of the Company's investments in debt securities carry fixed interest rates and mature within five years. The following table demonstrates the sensitivity of the Company's profit or loss for the year to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the profit or loss for the year is the effect of the assumed changes in interest rates on:

- The net commission income for one year, based on the floating rate financial assets held at the end of the reporting period
- Changes in fair value of investments for the year, based on revaluing fixed rate financial assets and liabilities at the end of the reporting period

21. Financial risk management (continued)

There is no sensitivity effect on other comprehensive income as the Company has no assets classified as designated hedging instruments. Therefore, the impact on equity is the same as the impact on profit or loss.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company invests in securities and other investments that are denominated in currencies other than the Saudi Riyal. Accordingly, the value of the Company's assets may be affected favorably or unfavorably by fluctuations in currency rates. Therefore, the Company will necessarily be subject to foreign exchange risks.

Equity price risk
Equity price risk is the risk of unfavorable changes in the fair values of equities or equity-linked derivatives as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities, from equity securities sold short and from equity-linked derivatives. The Company manages this risk by investing in a variety of stock exchanges and by limiting exposure to a single industry sector to 25% of NAV. The Company's constitution limits equity investments to 5% (or 10%, subject to a special approval of the Board of Directors) of the share capital of a single entity. Management's best estimate of the effect on the profit or loss for a year due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the table below. There is no effect on other comprehensive income as the Company has no assets classified as designated hedging instruments. An equivalent decrease in each of the indices shown below would have resulted in an equivalent, but opposite, impact.

22. Fair value of financial instruments

A number of the Company's accounting policies and disclosures require the measurement of fair values, for financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The Company's financial assets consist of cash and cash equivalents, certain receivables, advance for investments, debt securities measured at FVOCI, equity securities measured at FVOCI, debt securities measured at FVTPL, loan to an equity accounted investee, short term investments, and financial liabilities consisting of certain payables and accrued expenses.

The fair values of financial assets and liabilities are not materially different from their carrying values in statement of financial position.

(Amounts in Saudi Riyals)

22. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy
Valuation of assets for which fair value is measured involves using a fair value hierarchy, which reflects the significance of following inputs used in making the measurements. The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments.

Level 1: quoted prices in active markets for identical assets or liabilities (i.e. without modification or repacking).
Level 2: quoted prices in active markets for similar financial assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

The table below presents the financial instruments at their fair values as at 31 December 2018 based on the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level 1	Level 2	Level 3	Total
31 December 2018				
Debt securities measured at FVOCI	**3,419,252**	**-**	**-**	**3,419,252**
Equity securities measured at FVTPL	**9,802,446**	**-**	**4,548,710**	**14,351,156**
Debt securities measured at FVTPL	**1,685,804**	**-**	**-**	**1,685,804**
ICD Money Market Funds - FVTPL	**-**	**-**	**7,197,665**	**7,197,665**
	14,907,502	**-**	**11,746,375**	**26,653,877**
31 December 2017				
Debt securities measured at FVOCI	3,538,199	-	-	3,538,199
Equity securities measured at FVTPL	8,716,692	-	3,749,995	12,466,687
Debt securities measured at FVTPL	1,706,611	-	-	1,706,611
ICD Money Market Funds - FVTPL	-	-	7,663,208	7,663,208
Total	13,961,502	-	11,413,203	25,374,70 5

There were no transfers between the levels of fair value hierarchies during the year.

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy

				Total gain or loss recognized		
December 31, 2018	**Balance 1 January**	**Purchases**	**Sales**	**Statement of income**	**Other comprehensive income**	**Balance 31 December**
Equity securities measured at FVTPL	**3,749,995**	**-**	**-**	**798,715**	**-**	**4,548,710**
ICD Money Market Funds - FVTPL	**7,663,208**	**-**	**-**	**(465,543)**	**-**	**7,197,665**
Total	**11,413,203**	**-**	**-**	**333,172**	**-**	**11,746,375**
December 31, 2017						
Equity securities measured at FVTPL	**-**	**3,749,995**	**-**	**-**	**-**	**3,749,995**
ICD Money Market Funds - FVTPL	**-**	**7,500,000**	**-**	**163,208**	**-**	**7,663,208**
Total	**-**	**11,249,995**	**-**	**163,208**	**-**	**11,413,203**

(Amounts in Saudi Riyals)

22. Fair value of financial instruments (continued)

Sensitivity analysis of Level 3 investments

	Sensitivity factor	Impact on fair value due to increase in sensitivity factor	Impact on fair value due to decrease in sensitivity factor
		SAR	
December 31, 2018			
Equity securities measured at FVTPL	+/- 2% change in NAV per unit	**90,974**	**(90,974)**
ICD Money Market Funds - FVTPL	+/- 10% change in credit spread	**719,767**	**(719,767)**
December 31, 2017			
Equity securities measured at FVTPL	+/- 2% change in NAV per unit	75,000	(75,000)
ICD Money Market Funds - FVTPL	+/- 10% change in credit spread	766,321	(766,321)

23. Categories of financial assets and financial liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities:

	As at 31 December 2018	As at 31 December 2017	As at 1 January 2017
Financial assets			
Financial assets at amortized cost:			
Accrued income and other assets (excluding prepayments)	**1,746,046**	1,557,811	506,169
Due from related parties	**48,498**	-	-
Cash and cash equivalents	**3,790,356**	9,858,341	12,543,701
Total financial assets at amortized cost	**5,584,900**	11,416,152	13,049,870
Financial assets at fair value through OCI:	**-**	-	-
Financial assets at fair value through profit or loss:			
Mutual funds			
Listed equity securities	**9,802,446**	8,716,692	15,249,589
Foreign equity investments	**4,548,710**	3,749,995	-
Total financial assets at fair value through profit or loss	**14,351,156**	12,466,687	15,249,589
Financial liabilities			
Financial liabilities at amortised cost:			
Employees-end-of-service benefits	**2,208,385**	2,382,057	1,937,270
Accrued and other expenses, except for accruals and provisions	**5,083,115**	6,569,735	4,954,480
Total financial liabilities at amortised cost	**7,291,500**	8,951,792	6,891,750

(Amounts in Saudi Riyals)

24. Regulatory capital requirements and capital adequacy ratio

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

	31 December 2018 "000"	31 December 2017 "000"	1 January 2017 "000"
Capital Base:			
Tier 1 Capital	**27,724**	31,099	35,794
Tier 2 Capital	**-**	608	428
Total Capital Base	**27,724**	31,707	36,222
Minimum Capital Requirement:			
Market Risk	**3,220**	--	17
Credit Risk	**10,208**	13,528	10,705
Operational Risk	**6,090**	6,166	12,336
Total Minimum Capital Required	**19,518**	19,694	23,058
Capital Adequacy Ratio:			
Surplus / (Deficit) in Capital	**8,206**	12,013	13,164
Total Capital Ratio (times)	**1.42**	1.61	1.57

a) The comparative information has been extracted from the Company's annual Capital Adequacy Model for 31 December 2017 and 31 December 2016 submitted to CMA.

b) Capital Base of the Company comprise of

- **Tier-1 capital** consists of paid-up share capital, retained earnings, share premium (if any), reserves excluding revaluation reserves, with certain deductions as per the Rules.

- **Tier-2 capital** consists of subordinated loans, cumulative preference shares and revaluation reserves, with certain deductions as per the Rules.

b) The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in the Rules.

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

(Amounts in Saudi Riyals)

25. Contingencies and commitments

Contingent liabilities

There were no contingencies as at the reporting date.

Operating lease commitments

As at the yearend, the Company has operating lease commitments for the office building as follows:

Years	As at 31 December 2018	As at 31 December 2017	As at 1 January 2017
2017	-	-	1,302,840
2018	-	1,302,840	1,302,840
2019	**319,313**	278,415	278,415
2020	**425,750**	-	-
2021	**425,750**	-	-
2022	**106,437**	-	-
	1,277,250	1,581,255	2,884,095

The Company signed a new lease contract for the office building whereby Company will relocate its head office by the end of March 2019. The new lease commitment is of three years and start from 1 April 2019.

26. Approval of financial statements

These financial statements have been approved by the Board of Directors of the Company on 5 March 2019 corresponding to 28 Jumada Al-Thani 1440.