ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Head office - Riyadh
License #323/11/96
Date 10/3/1419
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To the shareholders
Alistithmar for Financial Securities and Brokerage Company
(A Saudi Closed Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Alistithmar for Financial Securities and Brokerage Company ("the Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in notes 1 to 29.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia.

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

Emphasis of Matter
We draw attention to note 2 of the financial statements which describes that, for all periods up to and including the year ended December 31, 2017, the Company prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia. However, as a result of a change in the applicable regulations in the Kingdom of Saudi Arabia, effective for accounting periods beginning on or after January 1, 2018, the Company has prepared its first financial statements for the year ended December 31, 2018 in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

Other Matter
The financial statements of the Company for the year ended December 31, 2017 and December 31, 2016, prepared under generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA"), were audited by another auditor who expressed an unqualified opinion on those financial statements on March 1, 2018 and January 31, 2017 respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and applicable Regulations for Companies and the Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 disclosure is 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 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.

Deloitte and Touche & Co.
Chartered Accountants

Ehsan A. Makhdoum
License No. 358
Rajab 12, 1440
March 19, 2019

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

ASSETS	Note	December 31, 2018	December 31, 2017 (Restated Note- 3)	January 1, 2017 (Restated Note-3)
Non-current assets				
Investments at fair value through other comprehensive income	5	**2,169,720**	110,561,742	66,520,143
Property and equipment, net	6	**1,678,180**	3,373,964	4,892,144
Intangibles, net	7	**2,035,438**	1,936,332	1,757,199
Goodwill	8	**11,879,718**	11,879,718	11,879,718
Deferred tax asset	9	**108,000**	326,000	326,000
Total non-current assets		**17,871,056**	128,077,756	85,375,204
Current assets				
Cash and cash equivalents	10	**708,674**	710,331	74,750,536
Investments at fair value through profit or loss	5	**26,960,476**	-	-
Margin loans and murabaha financing	11	**376,906,391**	303,415,919	238,889,628
Accrued fees and commission income	12	**28,266,030**	23,046,380	18,894,221
Prepaid expenses and other assets	13	**4,099,724**	7,153,950	6,273,612
Total current assets		**436,941,295**	334,326,580	338,807,997
TOTAL ASSETS		**454,812,351**	462,404,336	424,183,201
EQUITY AND LIABILITIES				
Non-current liabilities				
Employees' termination benefits	3.1/3.3/14	**14,219,301**	14,328,687	13,297,048
Employees' long-term benefits	3.1/3.3/15	**6,367,020**	9,187,918	18,793,525
Total non-current liabilities		**20,586,321**	23,516,605	32,090,573
Current liabilities				
Bank overdraft	22	**23,346,202**	41,426,416	7,650,855
Accrued expenses and other liabilities	16	**33,182,774**	25,792,672	17,225,329
Zakat payable	17	**14,798,042**	11,990,406	12,722,830
Income tax payable	17	**539,618**	531,744	473,006
Total current liabilities		**71,866,636**	79,741,238	38,072,020
TOTAL LIABILITIES		**92,452,957**	103,257,843	70,162,593
CAPITAL AND RESERVES				
Share capital		**250,000,000**	250,000,000	250,000,000
Statutory reserve	18	**25,557,696**	25,401,110	24,764,284
Retained earnings	3.1/3.3	**86,829,651**	76,816,265	77,239,194
Investment revaluation reserve		**(27,953)**	6,929,118	2,017,130
Total shareholders' equity		**362,359,394**	359,146,493	354,020,608
TOTAL EQUITY AND LIABILITIES		**454,812,351**	462,404,336	424,183,201

The accompanying notes on pages 8 to 47 form an integral part of these financial statements.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(All amounts in Saudi Riyals unless otherwise stated)

	Note	**Year ended December 31, 2018**	Year ended December 31, 2017 (Restated-note 3)
OPERATING INCOME			
Brokerage fee income, net		**37,075,411**	28,917,159
Asset management fee, net		**25,253,680**	29,899,271
Commission income on margin lending		**27,412,159**	16,652,267
Realised (loss) on sale of available for sale investments		**-**	(1,628,079)
Realised (loss) on sale of fair value through profit or loss investments		**(446,957)**	-
Unrealised (Loss) on investments classified as fair value through profit or loss	5	**(4,309,518)**	-
Corporate finance fee, net		**2,000,000**	12,691,563
Dividend income		**232,438**	195,204
Other income		**306,918**	307,330
Total operating income		**87,524,131**	87,034,715
OPERATING EXPENSES			
Salaries and employee related expenses		**50,749,522**	52,335,727
Business service charges		**4,280,867**	4,303,595
Commission expense on bank overdraft		**3,968,180**	763,868
Subscription fees		**3,236,189**	3,518,098
Depreciation and amortization		**2,526,982**	3,289,019
Legal and professional fees		**2,474,994**	1,680,961
Expected credit loss provision	19	**291,251**	-
Impairment on available for sale investment		**-**	2,621,699
Other general, administrative and marketing expenses	20	**9,582,289**	12,712,604
Total operating expenses		**77,110,274**	81,225,571
Profits before zakat and income tax		**10,413,857**	5,809,144
Zakat	3.5/17	**(8,420,000)**	(5,750,000)
Income tax	3.5/17	**(210,000)**	(250,000)
Deferred tax	9	**(218,000)**	-
NET PROFIT / (LOSS) FOR THE YEAR	3.5	**1,565,857**	(190,856)
Other comprehensive income			
Other comprehensive income that may be reclassified subsequently to the statement of profit or loss		**-**	-
Other comprehensive income that will not be reclassified subsequently to the statement of profit or loss:			
Loss on investments at fair value through other comprehensive income		**(27,953)**	-
Remeasurement of employees' benefit obligation	3.5/14/15	**1,950,629**	404,753
Other comprehensive income for the year		**1,922,676**	404,753
Total comprehensive income for the year		**3,488,533**	213,897
EARNINGS PER SHARE (Saudi Riyals):	21		
Basic		**0.06**	(0.01)
Diluted		**0.06**	(0.01)

The accompanying notes on pages 8 to 47 form an integral part of these financial statements.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings (Restated)	Investment revaluation reserve	Total
December 31, 2017 *(Restated)*	3.3	**250,000,000**	**25,401,110**	**76,816,265**	**6,929,118**	**359,146,493**
Adjustment on opening retained earnings on adoption of IFRS 9	4	**-**	**-**	**6,653,486**	**(6,929,118)**	**(275,632)**
Adjusted total equity at January 1, 2018		**250,000,000**	**25,401,110**	**83,469,751**	**-**	**358,870,861**
Net profit for the year		**-**	**-**	**1,565,857**	**-**	**1,565,857**
Transfer to statutory reserve		**-**	**156,586**	**(156,586)**	**-**	**-**
Other comprehensive income for the year		**-**	**-**	**1,950,629**	**(27,953)**	**1,922,676**
December 31, 2018		**250,000,000**	**25,557,696**	**86,829,651**	**(27,953)**	**362,359,394**
January 1, 2017		250,000,000	24,764,284	79,716,187	2,017,130	356,497,601
Adjustment on opening retained earnings on **adoption of IFRS**	3.1	-	-	(2,476,993)	-	(2,476,993)
Adjusted total equity at January 1, 2017		250,000,000	24,764,284	77,239,194	2,017,130	354,020,608
Net loss for the year *(Restated)*	3.5	-	-	(190,856)	-	(190,856)
Transfer to statutory reserve		-	636,826	(636,826)	-	-
Other comprehensive income for the year	3.5	-	-	404,753	4,911,988	5,316,741
December 31, 2017 *(Restated)*		250,000,000	25,401,110	76,816,265	6,929,118	359,146,493

The accompanying notes on pages 8 to 47 form an integral part of these financial statements.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOW
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2018	Year ended December 31, 2017 (Restated Note-3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (loss) for the year		**1,565,857**	(190,856)
Adjustments to reconcile net profit to net cash (used in) / generated from operating activities:			
Depreciation and amortization	6/7	**2,526,982**	3,289,019
Employee termination benefits	3.6	**2,552,116**	2,525,172
Employee long-term benefits	3.6	**1,396,205**	4,954,710
Realized loss on sale of available for sale investments		**-**	1,628,079
Realized loss on sale of fair value through profit or loss investments		**446,957**	-
Unrealized loss on fair valuation of fair value through profit or loss investments		**4,309,518**	-
Expected credit loss provision		**291,251**	-
Impairment on investments		**-**	2,621,699
Provision for zakat	3.6	**8,420,000**	5,750,000
Provision for tax	3.6	**210,000**	250,000
Deferred tax	3.6	**218,000**	-
Gain on sale of property and equipment		**(210)**	-
Changes in working capital:			
Margin loans and murabaha financing		**(73,490,472)**	(64,526,291)
Accrued fees and commission income		**(5,729,530)**	(4,152,159)
Prepaid expenses and other assets		**2,997,818**	(880,338)
Accrued expenses and other liabilities		**7,390,102**	8,567,343
Employee termination benefits paid		**(1,949,254)**	(1,332,942)
Employee long term benefits paid		**(2,978,722)**	(14,316,155)
Zakat paid		**(5,612,364)**	(6,482,424)
Income tax paid		**(202,126)**	(191,262)
Net cash (used in) operating activities		**(57,637,872)**	(62,486,405)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property and equipment and intangibles		**(936,731)**	(1,949,972)
Proceeds from sale of property and equipment		**6,637**	-
Purchase of investments		**(1,918,800)**	(72,548,754)
Proceeds from investments		**78,565,918**	29,169,365
Net cash generated from (used in) investing activities		**75,717,024**	(45,329,361)
CASH FLOW FROM FINANCING ACTIVITY			
Change in bank overdraft		**(18,080,214)**	33,775,561
Net cash (used in) generated from financing activity		**(18,080,214)**	33,775,561
Net (decrease) in cash and cash equivalents		**(1,062)**	(74,040,205)
Cash and cash equivalents at the beginning of the year		**710,331**	74,750,536
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**709,269**	710,331
Supplemental non-cash information			
Net changes in fair value of available for sale investment		-	(4,911,988)
Net change in fair value of investment at FVTOCI		**27,953**	-
Actuarial remeasurement of employee termination benefits		**(712,248)**	(160,591)
Actuarial remeasurement of employee long term benefits		**(1,238,381)**	(244,162)
Adjustment on opening retained earnings on adoption of IFRS 9		**-**	6,929,118

The accompanying notes on pages 8 to 47 form an integral part of these financial statements.

1. GENERAL

The Alistithmar for Financial Securities and Brokerage Company – Alistithmar Capital (the "Company") is a Saudi Closed Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company was converted from a limited liability company to a Saudi Closed Joint Stock Company on Jumada Awal 19, 1436H (corresponding to March 10, 2015). The Company operates under Commercial Registration No. 1010235995 issued in Riyadh on Rajab 8, 1428 H (corresponding to July 22, 2007). The Company also operates its activities under Authorization License number (7061-15) dated Jumada Awal 16, 1428 H (corresponding to June 2, 2007), subsequently revised with Authorization License number (11156-37) dated Shawal 10, 1432H (corresponding to September 25, 2011G) issued by the Capital Market Authority (CMA).

The Company's registered postal address is as follows:

Alistithmar for Financial Securities and Brokerage Company – Alistithmar Capital
P. O. Box 6888
Riyadh 11452
Kingdom of Saudi Arabia

The Company's share capital of SR 250 million as at December 31, 2018 and 2017 consists of 25,000,000 fully paid shares of SR 10 each, and is wholly-owned by the Saudi Investment Bank.

The foreign shareholding in the Company is represented through a 2.5% (December 31, 2017: 10%) stake in The Saudi Investment Bank (the "Bank"), which resulted in an effective 2,5% (December 31, 2017: 10%) foreign shareholding in the Company.

The principal activities of the Company are dealing in securities as principal and agent, underwriting, management of investment funds and private investment portfolios on behalf of customers, arrangement and advisory and custody services relating to financial securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA"), collectively hereafter referred to as "IFRS". The requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards have been applied in preparing these financial statements. Refer to note 3 which discloses the impact of adopting IFRS in these financial statements.

These financial statements, for the year ended December 31, 2018, are the first the Company has prepared in accordance with IFRS. For the year ended December 31, 2017, the Company prepared its financial statements in accordance with accounting standards issued by SOCPA.

Accordingly, the Company has prepared financial statements that comply with IFRS applicable as at December 31, 2018, together with the comparative statements of financial position as at December 31, 2017 and January 1, 2017, as described in the summary of significant accounting policies. In preparing the financial statements, the Company's opening statement of financial position was prepared as at January 1, 2017 which is the Company's date of transition to IFRSs. Note 3 contains the adjustments made by the Company in restating its SOCPA financial statements, including the statements of financial position as at December 31, 2017 and January 1, 2017 and the statement of profit or loss and other comprehensive income for the year ended December 31, 2017. The statement of financial position as at January 1, 2017 and December 31, 2017 and the statement of profit or loss and other comprehensive income and the statement of cash flows for the year ended December 31, 2017 have been restated as a result of the abovementioned adoption of IFRS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation
The Company's latest financial statements were prepared using generally accepted accounting principles as issued by SOCPA, these (first) IFRS based financial statements include some additional disclosures to enable the users to understand how the transition to IFRSs have affected previously reported amounts.

Historical cost convention
The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values and employee defined benefit liabilities, which have been actuarially valued as explained in the accounting policies below. The principal accounting policies are set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

Critical accounting estimates and judgments
The preparation of the financial statements requires management to use judgement in applying accounting policies and estimates and assumptions about the future. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of profit or loss. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between the cost and fair value.
(b) For assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
(c) For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective interest rate.

(ii) Assumption for Employees' benefits provision

The calculation of end of service benefits provision greatly depends on employees' estimated length of service and their estimated salary in the final years of service. Such estimates were based on the actuarial assumptions developed by management. Those actuarial assumptions were based on the Company's historical data, recent trends, and management plans and forecasts with respect of salary levels.

The discount rate was estimated by reference to yields on the governmental bonds, as management assessed that there is no deep market in high quality corporate bonds. The Company used a single discount rate that approximates the estimated timing and amount of benefit payments.

(iii) Impairment on Goodwill

Goodwill represents the difference between the purchase value and the fair value of the net assets acquired at the purchase date. The price is determined as the fair value at the acquisition date. Goodwill is stated at the statement of financial position date at cost reduced for impairment in value, if any. Impairment is assessed at each reporting date by discounting the future estimated cash flows.

New and revised IFRSs in issue but not yet effective
The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term interests in Associate and Joint Ventures
Annual improvements to IFRS Standards 2015-2017 Cycle	Amendments to IFRS 3 Business Combination, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
Amendment to IAS 19 Employee Benefits	Plan Amendment, Curtailment or Settlement
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRIC 23	Uncertainty over Income Tax Treatments

IFRS 16 Leases
IFRS 16 is applicable for the year beginning on January 1, 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires an on-balance sheet accounting model.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 16 Leases (Continued)
The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company will elect to use the exemptions proposed for those lease contracts where the lease term ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

During 2018, the Company has completed an impact assessment of IFRS 16. The impact of IFRS 16 adoption is expected to be as follows:

The impact on the statement of financial position as of January 1, 2019 is estimated to increase total assets by approximately SR 7 million, and increase total liabilities by approximately SR 7 million.

Due to the adoption of IFRS 16, the Company's net income is not expected to be significantly affected with a change in commission expense and depreciation, and a change in rent expense. This is due to the change in the accounting for the expenses of leases that were previously classified as operating leases under IAS 17.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted.

There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

Amendment to IAS 28 Long-Term Interests in Associate and Joint Ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests.
Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019.

Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Annual Improvements to IFRS Standards 2015-2017 Cycle
IAS 12 Income Taxes
The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 3 Business Combinations
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements
The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.
All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.
The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Annual Improvements to IFRS Standards 2015-2017 Cycle (Continued)
The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments
IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

– If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
– If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

(a) Reporting currency

These financial statements are presented in Saudi Riyals (“SR”) which is the functional currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

Financial instruments
Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets
All recognized financial assets are initially recognized at cost and subsequently measured in their entirety at either amortized cost or fair value, depending on the classification.

Classification of financial assets
Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order 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.

Debt instruments that meet the following conditions are subsequently measured at Fair Value Through Other Comprehensive Income (“FVTOCI”):

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

By default, all other financial assets are subsequently measured at Fair Value Through Profit or Loss (“FVTPL”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Despite the above, the Company may make the following irrevocable election / designation at the initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss.

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Equity instruments designated as at FVTOCI
A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

On adoption of IFRS 9, the available for sale equity investments were classified to financial assets at FVTOCI.

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

On adoption of IFRS 9, the available for sale investments in mutual funds were classified to financial assets as FVTPL.

Impairment of financial assets
The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, amounts due from customers under construction contracts, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)
The Company always recognizes lifetime Expected Credit Loss ("ECL") for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- significant deterioration in external market indicators of credit risk for a particular financial instrument
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- an actual or expected significant deterioration in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Significant increase in credit risk (Continued)
Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Company considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' in accordance with the globally understood definition.

For loan commitments and financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Company considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The following guidance shall be used for considering an instrument/exposure to have defaulted or credit impaired:

- In the case of margin loan facilities – any outstanding that has not been settled within 60 days after the expiry of an agreement (in the case of overdraft/revolving facility) or 30 days after the expiry of a deal (in the case of Murabaha deals).
- In the case of financial instruments such as placements or sukuks – any non-settlement of the amount due within 30 days from the due date will be considered as default.
- Bankruptcy protection has been filed for the obligor in respect of the obligor's credit obligation to ICAP.
- The Company consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by material forgiveness, or postponement of principal, interest or fees.
- In case of financial instruments, any of the "Events of default" being met or triggered.

Given that the rebuttable presumption as per IFRS 9 for default is considered as no later than 90 days, the above five clauses on default are considered reasonable.

Any of the above condition being met shall be considered as a default / credit impaired and hence the financial instrument shall be moved to stage 3 of the General approach and hence lifetime ECL shall be recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower
- a breach of contract, such as a default or past due event
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
- the disappearance of an active market for that financial asset because of financial difficulties

Write-off policy
The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following bases:

- Nature of financial instruments
- Past-due status; and
- Nature, size and industry of debtors

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Measurement and recognition of expected credit losses (Continued)
If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets
The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities
All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liabilities.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities subsequently measured at amortized cost
The Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Cash and cash equivalents
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Company unless otherwise stated and have maturities of three months or less from the date of acquisition, which are subject to insignificant risk of changes in values.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal enforceable right to offset the recognized amounts and intends to settle them on a net basis or to realize the assets and settle the liability simultaneously.

Margin loans and murabaha financing
Margin loans and murabaha financing are recognized at an amortised cost less any expected credit losses as it satisfies hold-to-collect business model test and solely through payment of principal and interest (SPPI) test.

All margin loans and murabaha financing at December 31, 2018 are maturing within one year.

Accrued management fees and commission income
Accrued management fees and commission income are recognized at an amortised cost less any expected credit losses (ECL). ECL is calculated using the simplified impairment approach.

Goodwill
Goodwill arising on an acquisition of a business (being the excess of the aggregate of consideration transferred and the amount of any non-controlling interest in acquiree over the fair values of net assets acquired) is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

If the fair values of net assets acquired exceed the aggregate of consideration transferred and the amount of any non-controlling interest in acquiree, the resulting gain is recognized in profit or loss as a bargain purchase gain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)
For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Property and equipment
Property and equipment are carried at cost net of accumulated depreciation and/or accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is charged to the statement of profit or loss, using the straight-line method to allocate the costs of the related assets over the following estimated useful lives:

	Number of years
Leasehold improvements	Over the lease period or 5 years, whichever is lesser
Computers	4
Vehicles	4
Furniture and office equipment	4

Capital work in progress is transferred to the appropriate property and equipment category upon completion and depreciated from the point at which it is ready to use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain and loss on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the statement of profit or loss when the asset is derecognised.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of profit or loss, as and when incurred. Major renewals and improvements, if any, are recognized in the carrying amount of the property and equipment.

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

Intangible assets
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if any.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)
The Company applies the following useful life for amortization to its intangible assets:

Software	4 years

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Accounts payable and accruals
Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

Impairment of non-financial assets
The Company assesses at each of reporting period whether there is any indication that non-financial assets may be impaired.

Non-financial assets other than goodwill, if any, are tested for impairment when events or change in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amount, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units 'CGU'). Recoverable amount is the higher for which of an asset's fair value less cost of disposals and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management. When the carrying amount of an assets or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Such impairment loss is recognized in the statement of profit or loss in the period it has occurred.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill, if any, may no longer exists or may have decreased. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized in the statement of profit or loss. Impairment losses on goodwill, if any, are not reversible.

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 the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Zakat and income tax
In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the Company is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Employee benefits

Employee termination benefits
Employee termination benefit liabilities are determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Company presents the first two components of defined benefit costs in profit or loss in relevant line items.

Short-term and other long-term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

Statutory reserve
In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's articles of association, the Company is required to allocate 10% of its net income each year to a statutory reserve. The Company may discontinue such transfers when such reserve reaches minimum of 30% of its share capital. Such reserve is not subject to dividend distribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition
Brokerage fees are recognized on accrual basis upon delivery of services to customers and is stated net of discounts, if any, based on agreed applicable service contracts. Commission income from margin loans and murabaha financing are recognized on accrual basis based on the effective rate of return during the contract period, reduced by relevant commission charged by the Bank on Funds provided to finance the margin loans and murabaha financing.

Asset management fees are recognized on the accrual basis as services are provided. Management advisory and other service fees are recognized over the service period based on the applicable contract. Income on time deposits with the Bank is recognized on accrual basis.

Dividends income from investments is recognized when the Company's right to receive the dividends is established.

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

Segment reporting
An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker of the Company to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial statements are available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Expenses
Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately.

Dividends
Dividends are recorded in the financial statements in the period in which they are declared.

Leases when the Company is lessee
Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the non-cancellable period of lease together with any further terms for which the Company has the option to continue the lease when at the inception of the lease it is reasonable certain that the Company will exercise the option.

Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and, accordingly, are not included in these accompanying financial statements. Such assets primarily comprise of clients' cash accounts.

3. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

3.1 Effect of IFRS adoption on the Statement of Financial Position as at January 01, 2017

ASSETS	Note	Amounts previously reported under SOCPA	Effect of transition to IFRS	Opening IFRS statement of financial position
Non-current assets				
Investments		66,520,143	-	**66,520,143**
Property and equipment, net	3.7 (A)	6,649,343	(1,757,199)	**4,892,144**
Intangibles, net	3.7 (A)	-	1,757,199	**1,757,199**
Goodwill		11,879,718	-	**11,879,718**
Deferred tax	3.7 (C)	-	326,000	**326,000**
Total non-current assets		85,049,204	326,000	**85,375,204**
Current assets				
Cash and cash equivalents		74,750,536	-	**74,750,536**
Margin loans and murabaha financing		238,889,628	-	**238,889,628**
Accrued management fees and commission income		18,894,221	-	**18,894,221**
Prepaid expenses and other assets		6,273,612	-	**6,273,612**
Total current assets		338,807,997	-	**338,807,997**
TOTAL ASSETS		423,857,201	326,000	**424,183,201**
EQUITY AND LIABILITIES				
Non-current liabilities				
Employee termination benefits	3.7 (B)	11,494,543	1,802,505	**13,297,048**
Employee long-term benefits	3.7 (B)	17,793,037	1,000,488	**18,793,525**
Total non-current liabilities		29,287,580	2,802,993	**32,090,573**
Current liabilities				
Bank overdraft		7,650,855	-	**7,650,855**
Accrued and other liabilities		17,225,329	-	**17,225,329**
Zakat payable		12,722,830	-	**12,722,830**
Tax payable		473,006	-	**473,006**
Total current liabilities		38,072,020	-	**38,072,020**
TOTAL LIABILITIES		67,359,600	2,802,993	**70,162,593**
CAPITAL AND RESERVES				
Share capital		250,000,000	-	**250,000,000**
Statutory reserve		24,764,284	-	**24,764,284**
Retained earnings		79,716,187	(2,476,993)	**77,329,194**
Investment revaluation reserve		2,017,130	-	**2,017,130**
Total shareholders' equity		356,497,601	(2,476,993)	**354,020,608**
TOTAL EQUITY AND LIABILITIES		423,857,201	326,000	**424,183,201**

3. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

3.2 Reconciliation of equity as at January 01, 2017

	Note	As at January 1, 2017
Total equity under SOCPA		356,497,601
Actuarial value of employee defined benefit liabilities	3.7 (B)	**(2,802,993)**
Deferred tax	3.7 (C)	**326,000**
Total equity under IFRS		**354,020,608**

3.3 Effect of IFRS adoption on the Statement of Financial Position as at December 31, 2017

ASSETS	Note	Amounts previously reported under SOCPA	Effect of transition to IFRS	IFRS statement of financial position
Non-current assets				
Investments		110,561,742	-	**110,561,742**
Property and equipment, net	3.7 (A)	5,310,296	(1,936,332)	**3,373,964**
Intangibles, net	3.7 (A)	-	1,936,332	**1,936,332**
Goodwill		11,879,718	-	**11,879,718**
Deferred tax	3.7 (C)	-	326,000	**326,000**
Total non-current assets		127,751,756	326,000	**128,077,756**
Current assets				
Cash and cash equivalents		710,331	-	**710,331**
Margin loans and murabaha financing		303,415,919	-	**303,415,919**
Accrued management fees and commission income		23,046,380	-	**23,046,380**
Prepaid expenses and other assets		7,153,950	-	**7,153,950**
Total current assets		334,326,580	-	**334,326,580**
TOTAL ASSETS		462,078,336	326,000	**462,404,336**
LIABILITIES				
Non-current liabilities				
Employee termination benefits	3.7 (B)	12,418,115	1,910,572	**14,328,687**
Employee long-term benefits	3.7 (B)	8,141,135	1,046,783	**9,187,918**
Total non-current liabilities		20,559,250	2,957,355	**23,516,605**
Current liabilities				
Bank overdraft		41,426,416	-	**41,426,416**
Accrued and other liabilities		25,792,672	-	**25,792,672**
Zakat payable		11,990,406	-	**11,990,406**
Tax payable		531,744	-	**531,744**
Total current liabilities		79,741,238	-	**79,741,238**
TOTAL LIABILITIES		100,300,488	2,957,355	**103,257,843**
SHAREHOLDERS' EQUITY				
Share capital		250,000,000	-	**250,000,000**
Statutory reserve		25,401,110	-	**25,401,110**
Retained earnings		79,447,620	(2,631,355)	**76,816,265**
Changes in investments revaluation reserve		6,929,118	-	**6,929,118**
Total shareholders' equity		361,777,848	(2,631,355)	**359,146,493**
TOTAL EQUITY AND LIABILITIES		462,078,336	326,000	**462,404,336**

3. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (Continued)

3.4 Reconciliation of equity as at December 31, 2017

	Note	As at December 31, 2017
Total equity under SOCPA		**361,777,848**
Actuarial value of employee defined benefit liabilities	3.7 (B)	(2,957,355)
Deferred tax income	3.7 (C)	326,000
Total equity under IFRS		**359,146,493**

3.5 Effect of IFRS adoption on the Statement of Profit or Loss and other comprehensive income for the year ended December 31, 2017

	Note	Amounts previously reported under SOCPA	Effect of transition to IFRS	IFRS statement of profit or loss
OPERATING INCOME				
Brokerage fee income, net		28,917,159	-	**28,917,159**
Asset management fee, net		29,899,271	-	**29,899,271**
Commission income on margin lending		15,888,399	763,868	**16,652,267**
Realized loss on sale of investments		(1,628,079)	-	**(1,628,079)**
Corporate finance fee, net		12,691,563	-	**12,691,563**
Dividend income		195,204	-	**195,204**
Other income		307,330	-	**307,330**
Total operating income		86,270,847	763,868	**87,034,715**
OPERATING EXPENSES				
Salaries and employee related expenses	3.7 (B)	51,776,612	559,115	**52,335,727**
Business service charges		4,303,595	-	**4,303,595**
Commission expense on bank overdraft		-	763,868	**763,868**
Subscription fees		3,518,098	-	**3,518,098**
Depreciation and amortization		3,289,019	-	**3,289,019**
Legal and professional fees		1,680,961	-	**1,680,961**
Impairment on Investments		2,621,699	-	**2,621,699**
Other general, administrative and marketing expenses		12,712,604	-	**12,712,604**
Total operating expenses		79,902,588	1,322,983	**81,225,571**
PROFIT BEFORE ZAKAT & INCOME TAX		6,368,259	(559,115)	**5,809,144**
Zakat	3.7 (C)	-	(5,750,000)	**(5,750,000)**
Income tax	3.7 (C)	-	(250,000)	**(250,000)**
NET PROFIT (LOSS) FOR THE YEAR		6,368,259	(6,559,115)	**(190,856)**
Other comprehensive income				
Remeasurement of employees’ benefit obligation	3.7 (B)	-	404,753	**404,753**
Other comprehensive income for the year		-	404,753	**404,753**
Total comprehensive income for the year		6,368,259	(6,154,362)	**231,897**

3. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

3.6 Effect of IFRS adoption on the Statement of cash flows as at December 31, 2017

	Note	Amounts previously reported under SOCPA	Effect of transition to IFRS	IFRS statement of cash flows
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit (loss) for the year		6,368,259	(6,559,115)	**(190,856)**
Adjustments to reconcile net income to net cash generated from operating activities:				
Depreciation and amortization		3,289,019	-	**3,289,019**
Employee termination benefits	3.7(B)	2,256,514	268,658	**2,525,172**
Employee long-term benefits	3.7(B)	4,664,253	290,457	**4,954,710**
Realized loss on sale of available for sale investments		1,628,079	-	**1,628,079**
Impairment on investment		2,621,699	-	**2,621,699**
Provision for zakat		-	5,750,000	**5,750,000**
Provision for tax		-	250,000	**250,000**
Changes in working capital:				
Margin loans and murabaha financing		(64,526,291)	-	**(64,526,291)**
Accrued management fees and commission income		(4,152,159)	-	**(4,152,159)**
Prepaid expenses and other assets		(880,338)	-	**(880,338)**
Accrued expenses and other liabilities		8,567,343	-	**8,567,343**
Employee termination benefits paid		(1,332,942)	-	**(1,332,942)**
Employee long term benefits paid		(14,316,155)	-	**(14,316,155)**
Zakat paid		(6,482,424)	-	**(6,482,424)**
Income tax paid		(191,262)	-	**(191,262)**
Net cash generated from operating activities		(62,486,405)	-	**(62,486,405)**
CASH FLOW FROM INVESTING ACTIVITIES				
Additions to property and equipment		(1,949,972)	-	**(1,949,972)**
Purchase of investments		(72,548,754)	-	**(72,548,754)**
Proceeds from investments		29,169,365	-	**29,169,365)**
Net cash (used in) investing activities		(45,329,361)	-	**(45,329,361)**
CASH FLOW FROM FINANCING ACTIVITY				
Change in bank overdraft		33,775,561	-	**33,775,561**
Net cash (used in) financing activity		33,775,561	-	**33,775,561**
Net (decrease) in cash and cash equivalents		(74,040,205)	-	**(74,040,205)**
Cash and cash equivalents at the beginning of the year		74,750,536	-	**74,750,536**
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		710,331	-	**710,331**

3. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (Continued)

3.7 Notes to the Reconciliations

(A) Computer software is reclassified from property and equipment to intangibles.

(B) IAS 19 Employees' benefits
Under Saudi GAAP, the Company was required to recognise the provision for employees' end-of-service benefits for the amounts payable at the balance sheet date in accordance with the employees' contracts of employment applicable to employees' accumulated periods of service. However, under IAS 19, the Company is required to recognise an amount of a liability that equals to the net amount of present value of the defined benefit obligation, deferred actuarial gains and losses, deferred past service costs at statement of financial position. Accordingly, the Company has restated employees' termination benefits and employee long-term benefits obligation under IFRS as at January 1, 2017 and December 31, 2017. The impact of restatement that pertains to prior years has been charged to opening retained earnings at January 1, 2017 and impact related to period 2017 has been adjusted in the statement of profit or loss and other comprehensive income for the year ended December 31, 2017. Remeasurements are the actuarial gain or losses which represents the changes in the provision for employees' benefits resulting from the effect of changes in actuarial assumptions. The above remeasurements are recognized in the statement of comprehensive income for the year ended December 31, 2017.

(C) IAS 12 Income Taxes and Revised Zakat Standard issued by SOCPA
Under Saudi GAAP, for an entity that is owned by Saudi and GCC nationals and other than Saudi and GCC nationals (mixed Company), Zakat and Income tax is an obligation for those shareholders' and accordingly, those are accounted for as a charge to the shareholders' equity. Accordingly, no deferred income tax was accounted for in those financial statements. Under IAS 12 zakat and income tax are considered as Company's expense and accordingly charged to the statement of profit or loss and other comprehensive income. The Company also recognised the deferred income tax on all the taxable/deductible temporary differences.

4. ADJUSTMENT ON OPENING RETAINED EARNINGS ON ADOPTION OF IFRS 9

On adoption of IFRS 9, unrealised gain on available for sale investments of mutual funds as of December 31, 2017 amounting to SR 6,929,118 have been transferred from investment revaluation reserve to retained earnings as of January 1, 2018 as a result of change in classification of investments from available for sale to fair value through profit or loss.

Further, the provision for expected credit loss was SR 275,632 recorded in retained earnings as of January 1, 2018 comprising of SR 247,923 on accrued fee & commission income and SR 27,709 on other assets.

5. INVESTMENTS

Investment designated as FVTOCI:

	December 31, 2018	December 31, 2017	January 1, 2017
Mutual funds	**-**	102,212,813	63,649,977
Listed Shares	**1,918,800**	1,418,811	852,036
Unlisted Shares	**-**	1,000	1,000
Total Carrying Value	**1,918,800**	103,632,624	64,503,013
Unrealized Gain	**250,920**	6,929,118	2,017,130
Total Fair Value	**2,169,720**	110,561,742	66,520,143

The above investments from January 01, 2018 are designated as FVTOCI as per IFRS 9 and which were classified as available for sale till December 31, 2017 as per IAS 39. The investment in unlisted shares is carried at cost, as its fair value cannot be reliably measured.

Investment classified as FVTPL:

	December 31, 2018	December 31, 2017	January 1, 2017
Mutual Funds	**31,269,994**	-	-
Unrealized Loss	**(4,309,518)**	-	-
Total Fair Value	**26,960,476**	-	-

The above investments from January 01, 2018 are designated as FVTPL as per IFRS 9 which were classified as available for sale till December 31, 2017 as per IAS 39.

6. PROPERTY AND EQUIPMENT, NET

	Computers Hardware	**Leasehold improvements**	**Vehicles**	**Furniture and office equipment**	**Total**
Cost:					
January 1, 2018	**12,610,447**	**7,819,440**	**40,625**	**5,287,517**	**25,758,029**
Additions during the year	**5,349**	**37,055**	**-**	**12,382**	**54,786**
Disposals during the year	**(13,910)**	**-**	**-**	**-**	**(13,910)**
December 31, 2018	**12,601,886**	**7,856,495**	**40,625**	**5,299,899**	**25,798,905**
Accumulated depreciation:					
January 1, 2018	**11,081,195**	**6,450,369**	**40,624**	**4,811,877**	**22,384,065**
Charge for the year	**910,528**	**575,908**	**-**	**257,707**	**1,744,143**
Disposals	**(7,483)**	**-**	**-**	**-**	**(7,483)**
December 31, 2018	**11,984,240**	**7,026,277**	**40,624**	**5,069,584**	**24,120,725**
Net book value:					
December 31, 2018	**617,646**	**830,218**	**1**	**230,315**	**1,678,180**

6. PROPERTY AND EQUIPMENT, NET (Continued)

	Computers Hardware	Leasehold improvements	Vehicles	Furniture and office equipment	Total
Cost:					
January 01, 2017	12,183,073	7,819,440	190,625	5,157,214	25,350,352
Additions during the year	427,374	-	-	130,303	557,677
Disposals during the year	-	-	(150,000)	-	(150,000)
December 31, 2017	12,610,447	7,819,440	40,625	5,287,517	25,758,029
Accumulated depreciation:					
January 01, 2017	9,946,080	5,859,399	190,624	4,462,105	20,458,208
Charge for the year	1,135,115	590,970	-	349,772	2,075,857
Disposals	-	-	(150,000)	-	(150,000)
December 31, 2017	11,081,195	6,450,369	40,624	4,811,877	22,384,065
Net book value:					
December 31, 2017	1,529,252	1,369,071	1	475,640	3,373,964

7. INTANGIBLES, NET

	Computer Software
Cost:	
January 1, 2018	**9,630,737**
Additions during the year	**881,945**
December 31, 2018	**10,512,682**
Accumulated depreciation:	
January 1, 2018	**7,694,405**
Charge for the year	**782,839**
December 31, 2018	**8,477,244**
Net book value:	
December 31, 2018	**2,035,438**
Cost:	
January 1, 2017	8,238,442
Additions during the year	1,392,295
December 31, 2017	9,630,737
Accumulated depreciation:	
January 1, 2017	6,481,243
Charge for the year	1,213,162
December 31, 2017	7,694,405
Net book value:	
December 31, 2017	1,936,332

8. GOODWILL

During 2011, the Company acquired net assets of SAIB BNP Paribas Asset Management Company at the acquisition price of SR 104,714,828. Net assets of SAIB BNP Paribas Asset Management Company at the date of acquisition were SR 92,835,110. The acquisition resulted in recognition of goodwill amounted to SR 11,879,718 in the statement of financial position. The Company has carried out impairment assessment based on fair value less cost to sell at the end of the year and concluded that no impairment required.

9. DEFERRED TAX ASSET

	December 31, 2018	December 31, 2017
Opening balance	**326,000**	326,000
Reversal during the year	**(218,000)**	-
Closing balance	**108,000**	326,000

Deferred tax assets relate to provisions and accumulated depreciation. Management believes that future taxable profits will be available against which deferred tax asset can be realized. Asset for deferred taxation comprising temporary differences related to:

	December 31, 2018	December 31, 2017
Employees' termination benefits – provision	**71,097**	266,000
Depreciation	**8,538**	60,000
Unrealized loss on investment at FVTPL	**25,531**	-
Expected Credit Loss – provision	**2,834**	-
	108,000	326,000

10. CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017	January 1, 2017
Cash on hand	**10,000**	15,000	10,000
Cash at bank *(Note 22)*	**699,269**	695,311	74,740,536
	709,269	710,331	74,750,536
Less: Expected Credit Loss *(Note 19)*	**(595)**	-	-
	708,674	710,331	74,750,536

		Cash at Bank – years past due				
December 31, 2018	**Not past due**	**Less than one year**	**One to two years**	**Two to three years**	**Over three years**	**Total**
ECL rate (%)	0.09%	-	-	-	-	**-**
Carrying amount	699,269	-	-	-	-	**699,269**
ECL	(595)	-	-	-	-	**(595)**
Net amount						**698,674**

11. MARGIN LOANS AND MURABAHA FINANCING

	December 31, 2018	December 31, 2017	January 1, 2017
Margin Loans	**260,239,499**	219,499,249	152,705,356
Murabaha Financing	**116,666,892**	83,916,670	86,184,272
	376,906,391	303,415,919	238,889,628

Loans are collateralized by approved coverage of 200% of market value of the customer respective portfolio. The Company in the ordinary course of lending activities holds collateral as security to mitigate credit risk on its margin loans and murabaha financing. The collateral includes shares. The collateral is managed against relevant exposures at their net realizable values. The estimated fair value of collateral held by the Company as security for margin loans and murabaha financing is approximately SR 2,427 million (December 31, 2017: SR 1,378 million). All loans mature within twelve month from the inception date.

12. ACCRUED FEE AND COMMISSION INCOME

	December 31, 2018	December 31, 2017	January 1, 2017
Accrued asset management fee	**20,378,208**	19,896,930	15,189,000
Accrued commission income	**8,063,437**	2,018,116	2,425,221
Accrued brokerage fee	**334,265**	321,334	-
Accrued corporate finance fee	**-**	810,000	1,280,000
	28,775,910	23,046,380	18,894,221
Less: Expected Credit loss *(Note 19)*	**(509,880)**	-	-
	28,266,030	23,046,380	18,894,221

		Accrued fee and commission income – years past due				
	Not past due	**Less than one year**	**One to two years**	**Two to three years**	**Over three years**	**Total**
December 31, 2018						
ECL rate (%)	-	2.9%	-	-	-	**-**
Carrying amount	11,204,297	17,571,613	-	-	-	**28,775,910**
ECL	-	(509,880)	-	-	-	**(509,880)**
Net amount						**28,266,030**
January 1, 2018						
ECL rate (%)	**-**	1.68%	-	-	-	-
Carrying amount	8,252,569	14,793,811	-	-	-	23,046,380
ECL	-	(247,923)				(247,923)
Net amount						22,798,457

13. PREPAID EXPENSES AND OTHER ASSETS

	December 31, 2018	December 31, 2017	January 1, 2017
Receivable from mutual funds	**1,076,294**	1,786,521	817,925
Prepaid insurance	**1,279,215**	947,669	882,173
Staff advance housing	**499,280**	984,060	966,211
Subscriptions	**401,386**	362,553	762,812
Staff personal loans	**335,761**	1,729,401	1,077,441
Prepaid IT services	**308,780**	831,628	521,808
Other receivables	**255,416**	132,761	80,645
Receivable from customers	**-**	379,357	1,164,597
	4,156,132	7,153,950	6,273,612
Less: Expected Credit Loss *(Note 19)*	**(56,408)**	-	-
	4,099,724	7,153,950	6,273,612

		Other assets – years past due				
	Not past due	**Less than one year**	**One to two years**	**Two to three years**	**Over three years**	**Total**
December 31, 2018						
ECL rate (%)	0.61%	1.60%	3.62%	-	3.65%	**-**
Carrying amount	932,817	1,219,429	791,631	-	70,000	**3,013,877**
ECL	(5,708)	(19,468)	(28,677)	-	(2,555)	**(56,408)**
Net amount						**2,957,469**
January 1, 2018						
ECL rate (%)	**-**	1.33%	3.0%	3.0%	-	-
Carrying amount	3,364,293	1,300,307	277,500	70,000	-	5,012,100
ECL	-	(17,284)	(8,325)	(2,100)	-	(27,709)
Net amount						4,984,391

14. EMPLOYEES' TERMINATION BENEFITS

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	**14,328,687**	13,297,048
Current service cost	**1,972,841**	2,031,903
Interest cost	**579,275**	493,269
Paid during the year	**(1,949,254)**	(1,332,942)
Actuarial gain	**(712,248)**	(160,591)
Balance at the end of the year	**14,219,301**	14,328,687

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

14. EMPLOYEES' TERMINATION BENEFITS (Continued)

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
Discount rate	**4.65%**	3.9%	3.55%
Rate of salary increases	**4.65%**	3.9%	3.55%

All movements in the employee defined benefit liabilities are recognized in profit or loss except for the actuarial gain which is recognized in other comprehensive income.

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	December 31, 2018	December 31, 2017	January 1, 2017
Increase in discount rate of 0.5%	**(13,503,101)**	(13,585,061)	(12,599,978)
Decrease in discount rate of 0.5%	**14,995,105**	15,135,963	14,054,792
Increase in rate of salary increase of 0.5%	**14,997,222**	15,137,990	14,056,638
Decrease in rate of salary increase of 0.5%	**(13,494,411)**	(13,576,151)	(12,591,655)

15. EMPLOYEES' LONG-TERM BENEFITS

	December 31, 2018	December 31, 2017	January 1, 2017
Employees' long-term service award	**6,217,696**	8,166,918	8,285,010
Employees' service security plan *	**149,324**	1,021,000	2,695,267
Employees' saving plan	**-**	-	7,813,248
	6,367,020	9,187,918	18,793,525

* The plan cycle was from January 1, 2013 to December 31, 2016. There are very nominal employees covered in this plan as the Company is in the final process to close it.

Employees' long-term service award	**December 31, 2018**	December 31, 2017
Balance at the beginning of the year	**8,166,918**	8,285,010
Current service cost	**1,369,485**	1,440,302
Interest cost	**300,079**	290,387
Paid during the year	**(2,380,405)**	(1,604,619)
Actuarial gain	**(1,238,381)**	(244,162)
Balance at the end of the year	**6,217,696**	8,166,918

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

15. EMPLOYEES' LONG-TERM BENEFITS (Continued)

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
Discount rate	**4.65%**	3.9%	3.55%
Rate of salary increases	**4.65%**	3.9%	3.55%

All movements in the employee defined benefit liabilities are recognized in profit or loss except for the actuarial gain which is recognized in other comprehensive income.

Sensitivity analyses

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	December 31, 2018	December 31, 2017	January 1, 2017
Increase in discount rate of 0.5%	**(6,065,037)**	(7,979,412)	(8,098,285)
Decrease in discount rate of 0.5%	**6,377,537**	8,363,097	8,480,332
Increase in rate of salary increase of 0.5%	**6,379,293**	8,365,482	8,484,777
Decrease in rate of salary increase of 0.5%	**(5,061,901)**	(7,975,319)	(8,094,133)

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31, 2018	December 31, 2017	January 1, 2017
Rebate payable (Mutual funds)	**22,545,539**	17,419,000	10,290,435
Accrued employees related expenses	**4,798,130**	3,760,925	3,000,000
Accrued professional fees	**698,600**	669,000	648,000
Business service charges	**661,601**	-	-
Accrued utility charges	**482,713**	476,790	354,575
Accrued IT services	**400,495**	1,007,149	1,944,247
GOSI Payable	**362,226**	335,579	357,501
Subscription charges	**289,555**	164,330	123,916
Other	**2,943,915**	1,959,899	506,655
	33,182,774	25,792,672	17,225,329

17. PROVISION FOR ZAKAT AND INCOME TAX

Components of zakat base

The significant components of the zakat base of the Saudi shareholders are principally comprised of the following:

Zakat Base	Year ended December 31,	
	2018	**2017**
Shareholders equity - beginning of the year	**351,891,375**	354,480,471
Net income for the year, as adjusted	**12,779,046**	9,863,846
Provisions	**14,328,687**	11,494,543
Property and equipment, net	**(17,823,581)**	(20,145,519)
Investments	**(1,918,800)**	(106,254,322)
Total zakat base	**359,256,727**	249,439,019
Saudi shareholding percentage	**97.5%**	90%
Zakat base for Saudi shareholders till September 27, 2018 @ 90%	239,176,396	224,495,117
Zakat base for Saudi shareholders after September 27, 2018 @ 97.5%	91,167,546	-
	330,343,942	224,495,117
Adjusted net income for Saudi shareholders	11,750,596	8,877,461
Estimated zakat for the year	**8,258,599**	5,612,378

The zakat is calculated at 2.5% of the zakat base for Saudi shareholders or adjusted net income for Saudi shareholders, whichever is higher.

Taxable income	Year ended December 31,	
	2018	**2017**
Taxable income of the Company - foreign shareholders	**12,779,046**	9,863,846
Foreign shareholding percentage	**2.5%**	10%
Tax base for foreign shareholders till September 27, 2018 @ 10%	**945,299**	-
Tax base for foreign shareholders after September 27, 2018 @ 2.5%	**83,151**	-
	1,028,450	986,385
Income tax calculated at 20%	**205,690**	197,277

The movement in provision for zakat and income tax during the year ended December 31, 2018 is summarized as follows:

	Zakat	Income tax	Total
Balance at the beginning of the year	**11,990,406**	**531,744**	**12,522,150**
Additions during the year	**8,420,000**	**210,000**	**8,630,000**
Payments during the year	**(5,612,364)**	**(202,126)**	**(5,814,490)**
Balance at the end of the year	**14,798,042**	**539,618**	**15,337,660**

17. PROVISION FOR ZAKAT AND INCOME TAX (Continued)

The movement in provision for zakat and income tax during the year ended December 31, 2017 is summarized as follows:

	Zakat	Income tax	Total
Balance at the beginning of the year	12,722,830	473,006	13,195,836
Additions during the year	5,750,000	250,000	6,000,000
Payments during the year	(6,482,424)	(191,262)	(6,673,686)
Balance at the end of the year	11,990,406	531,744	12,522,150

The Company received and settled its assessment orders of zakat and income tax with the GAZT up to the year 2010. The Company also filed its zakat and income tax return for the years 2011 to 2017 and received interim assessments for the years 2012 and 2013 (see Note 23).

18. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By- laws, the Company is required to allocate 10% of its net income each year to a statutory reserve until such reserve equal to thirty percent of its share capital. The Company may discontinue such transfers when such reserve reaches thirty percent of its share capital. Such reserve is not available for dividend distribution.

19. EXPECTED CREDIT LOSS PROVISION

The following table shows the movement in lifetime ECL in accordance with the simplified approach set out in IFRS 9.

	Lifetime ECL - not credit impaired			
	Cash at bank	**Accrued fee and commission income**	**Other assets**	**Total SR**
Balance at January 1, 2018	-	247,923	27,709	**275,632**
Provision charged during the year	595	261,957	28,699	**291,251**
Balance at 31 December 2018	**595**	**509,880**	**56,408**	**566,883**

20. OTHER GENERAL, ADMINISTRATIVE AND MARKETING EXPENSES

	Year ended December 31,	
	2018	2017
IT services	**4,346,693**	5,529,211
Janitorial and cleaning services	**1,418,428**	1,356,533
Utility charges	**901,347**	1,594,808
Independent directors' fee	**379,415**	384,000
Insurance cost	**322,650**	269,378
Advertising and marketing	**321,978**	1,347,481
Travel and conveyance	**191,834**	401,725
Repairs and maintenance expenses	**190,082**	268,414
Stationery and supplies	**119,457**	185,920
Penalties and fines	**2,000**	260,000
Other	**1,388,405**	1,115,134
	9,582,289	12,712,604

21. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net income for the year by the weighted average number of shares for the year ended December 31, 2018 and 2017 amounting to 25 million shares.

22. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Company transacts business with The Saudi Investment Bank (The sole shareholder of the Company).The Company has an overdraft facility from The Saudi Investment Bank to finance the margin loans and murabaha financing granted to its customers with a maximum limit of SR 1,200 million (December 31, 2017: SR 1,200 million; January 1, 2017: SR 1,200 million). At December 31, 2018, the utilized amount of such facility is SR 23 million (December 31, 2017: SR 41 million; January 1, 2017: SR 8 million). The Bank charged the Company commission expense on the utilized balance for the year ended December 31, 2018 amounting to SR 3.97 million (December 31, 2017: SR 0.76 million). The Company also entered in a Corporate Finance transaction with The Saudi Investment Bank to issue SUKUK for the Bank with a success fee amounting to SR 2 million (December 31, 2017: SR 0.57 million)

Margin loans outstanding with Board and key management personnel amounts to SR 2,569,270 (December 31, 2017: SR 2,121,543; January 1, 2017: SR 123,062). Related Commission income for the year amounts to SR 141,636 (December 31, 2017: SR 102,973).

The Company has rebate payable to Amlak International amounting to SR 2,924,538 (December 31, 2017: SR 2,185,995).

The Company also maintains its operating bank account with The Saudi Investment Bank (see Note 10).

The Company has several agreements with the Bank as follows:

i. Rent and premises related services agreement, under which the Bank provides to the Company the head office location and 4 branch locations (2017: 4 branch locations), rental of existing property and equipment, location and equipment maintenance, utilities, communication and parking lots for an annual charge of SR 3,500,266 (December 31, 2017: SR 3,500,266).

ii. Mailing service agreement, under which the Bank provide all mailing services to the Company through the Bank's Mail Department for an annual charge of SR 39,000 (December 31, 2017: SR 39,000).

iii. Archive service agreement, under which the Bank keep the Company's files through the Bank's Administration Department for an annual charge of SR 80,000 (December 31, 2017: SR 80,000).

iv. Information Technology (IT) agreement under which the Bank provide all IT services including services relating to e-mail, internet and related maintenance services for an annual charge of SR 661,601 (December 31, 2017: SR 684,329).

v. Salaries and employee related expenses include an amount of SR 10,909,297 for the year ended December 31, 2018 for key management personnel (December 31, 2017 SR 10,832,838).

23. COMMITMENTS AND CONTINGENCIES

As at December 31, 2018, the Company has commitments to extend margin loans amounting to SR 636 million (December 31, 2017: SR 420 million; January 1, 2017: SR 434 million).

During 2012 and 2013, the Company received preliminary assessments from the GAZT for additional Zakat amounting to SR 1.97 million and SR 2.23 million relating to the Company's 2011 and 2012 Zakat filings, respectively, due to the disallowance of long-term investments in mutual funds from the Zakat base. The Company, in consultation with its zakat advisors, has filed appeals with the GAZT, and is awaiting a response. The Company believes that it has strong basis to challenge such amounts, accordingly, no liability was recorded in the financial statements for the year ended December 31, 2018.

24. FIDUCIARY ASSETS

Clients' money accounts

At December 31, 2018, the Company held clients' cash accounts with the Bank, amounting to SR 1,032 million (December 31, 2017: SR 915 million; January 1, 2017: SR 1,042 million), to be used for investments upon client discretion. Consistent with its accounting policy, such balances are not included in the Company's financial statements.

Assets under management

The market value of net assets under management at December 31, 2018 amounted to approximately SR 15,228 million (December 31, 2017: SR 6,816 million; January 1, 2017: SR 5,135 million).

25. SEGMENTAL INFORMATION

The Company operates and conducts its business activities only in the Kingdom of Saudi Arabia. For management purposes, the Company is organized into business lines based on services provided and has the following three reportable segments:

a. **Brokerage and Margin Lending** – this includes the brokerage and execution services by providing access to the Saudi Arabia and International markets and the extension of margin facilities for these markets for customers.

b. **Asset Management** – this includes the management of conventional and Shariah compliant assets on behalf of investors which can be in the form of mutual funds or discretionary portfolio mandates.

c. **Other** - this includes other business lines such as Investment banking, corporate finance and other custody and advisory services, in addition to the proprietary investments and corporate development and control functions.

25. SEGMENTAL INFORMATION (Continued)

Selected financial information as at December 31 and for the year then ended, summarized by business segments, is as follows:

2018	Brokerage and Margin Lending	Asset Management	Other	Total
Operating income	**64,487,570**	**25,253,680**	**(2,217,119)**	**87,524,131**
Operating expenses	**40,640,253**	**29,983,233**	**6,486,788**	**77,110,274**
Net income / (loss)	**23,847,317**	**(4,729,553)**	**(8,703,907)**	**10,413,857**
Total assets	**385,304,093**	**19,868,327**	**49,639,931**	**454,812,351**
Total liabilities	**23,346,202**	**22,505,539**	**46,601,216**	**92,452,957**
2017 *(Restated)*				
Operating income	44,805,558	29,899,272	12,329,885	87,034,715
Operating expenses	39,023,145	32,829,415	9,373,011	81,225,571
Net income / (loss)	5,782,413	(2,930,143)	2,956,874	5,809,144
Total assets	305,755,368	19,896,931	136,426,037	462,078,336
Total liabilities	41,426,416	10,290,435	51,540,992	103,257,843

26. FINANCIAL INSTRUMENTS

Capital management

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Company's overall strategy remains unchanged from the previous year.

The capital structure of the Company consists of debt and equity comprising share capital, retained earnings and Bank overdraft.

Categories of financial instruments

	December 31, 2018	December 31, 2017	January 1, 2017
Financial assets through other comprehensive Income			
Investments *(Note 5)*	**2,169,720**	110,561,742	66,520,143
Financial assets through profit or loss			
Investment *(Note 5)*	**26,960,476**	-	-
Financial assets at amortised cost			
Cash at Bank *(Note 10)*	**699,269**	695,311	74,749,536
Margin Loans and murabaha financing *(Note 11)*	**376,906,391**	303,415,919	238,889,628
Accrued fee and commission income *(Note 12)*	**28,775,910**	23,046,380	18,894,221
Other assets *(Note 13)*	**2,166,751**	5,012,100	4,106,819
Financial liabilities			
Amortized cost			
Bank Overdraft *(Note 22)*	**23,346,202**	41,426,416	7,650,855

26. FINANCIAL INSTRUMENTS (Continued)

Market risk
The Company was exposed to market risk, in the form of interest rate risk as described below, during the year. There were no changes in these circumstances from the previous year.

Foreign currency risk management
The Company did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

Interest rate and liquidity risk management
Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Interest rate sensitivity analysis
The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Interest rate sensitivity analysis (Continued)
If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's profit for the year would have decreased or increased by SR 635,926 (December 31, 2017: SR 157,175). The Company's exposure to interest rates has increased during the year as a result of an increase in interest-bearing borrowings.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows:

Details	Interest rate %	Within one year	One year to five years	Over five years	Total
December 31, 2018					
Bank overdraft	**Variable**	**23,346,202**	-	-	**23,346,202**
December 31, 2017					
Bank overdraft	Variable	41,426,416	-	-	41,426,416
January 1, 2017					
Bank overdraft	Variable	7,650,855	-	-	7,650,855

26. FINANCIAL INSTRUMENTS (Continued)

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at 31 December 2018, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognized financial assets as stated in the statement of financial position. The Company performs credit-vetting procedures which are reviewed and updated on an ongoing basis before granting credit to its customers. The Note 16 details the Company's maximum exposure to credit risk for financial assets that are not cash and cash equivalents. The Company holds shares portfolio as collateral for Margin loans and Murabaha financing.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Company reviews the recoverable amount of each trade receivable on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

Margin loan and Murabaha receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Classes and categories of financial instruments and their fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

26. FINANCIAL INSTRUMENTS (Continued)

		Carrying value									Fair value			
		Financial assets					Financial liabilities				Level			
	Note	FVTPL – designated	FVTPL – mandatoriy measured	FVTOCI	FVTOCI – designated	Amortised cost	FVTPL – designated	FVTPL – mandatoriy measured	Amortised cost	`Total	1	2	3	Total
December 31, 2018														
Cash at bank	10	-	-	-	-	699,269	-	-	-	699,269	699,269	-	-	699,269
Investments	5	-	26,960,476	-	2,169,720	-	-	-	-	29,130,196	29,130,196	-	-	29,130,196
Bank overdraft	23	-	-	-	-	-	-	-	23,346,202	23,346,202	23,346,202	-	-	23,346,202
December 31, 2017														
Cash at bank	10	-	-	-	-	695,311	-	-	-	695,311	695,311	-	-	695,311
Investments	5	-	-	110,561,742	-	-	-	-	-	110,561,742	110,561,742	-	-	110,561,742
Bank overdraft	23	-	-	-	-	-	-	-	41,426,416	41,426,416	41,426,416	-	-	41,426,416

27. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

In accordance with Pillar I of the Prudential Rules issued by the CMA (the Rules), the capital base, minimum capital requirement and capital adequacy ratio are as follows:

	December 31, 2018	December 31, 2017 - Restated	January 1, 2017 - Restated
		(SAR in '000)	
Capital base:			
Tier 1 Capital	**348,336**	338,075	338,041
Tier 2 Capital	**-**	6,929	2,017
Total Capital Base	**348,336**	345,004	340,058
Minimum capital requirement:			
Market Risk	**10**	156	222
Credit Risk	**105,232**	109,659	84,700
Operational Risk	**19,278**	20,307	20,259
Total Minimum Capital Required	**124,520**	130,122	105,181
Capital adequacy ratio:			
Capital Ratio (time)	**2.80**	2.65	3.23
Surplus in capital	**223,816**	214,882	234,877

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

b) The Company will disclose on annual basis certain information's as per Pillar III of the Rules for public on the Company website (www.icap.com.sa) however these are not subject to review or audit by the external auditors of the Company.

28. EVENTS SUBSEQUENT TO THE REPORTING DATE

No events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on March 12, 2019.