

ARBAH CAPITAL COMPANY
(A CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018
with
INDEPENDENT AUDITORS' REPORT

ARBAH CAPITAL COMPANY
(A CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

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Independent auditors' report

To the Shareholders of Arbah Capital Company

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

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

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.



Independent auditors' report

To the Shareholders of Arbah Capital Company (Continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

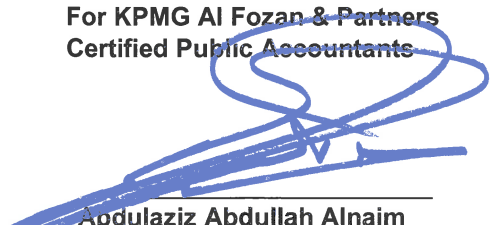
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Arbah Capital Company** ("the Group").

For KPMG Al Fozan & Partners
Certified Public Accountants



Abdulaziz Abdullah Alnaim
License No: 394

Al Khobar, 31 March 2019G
Corresponding to: 24 Rajab 1440H

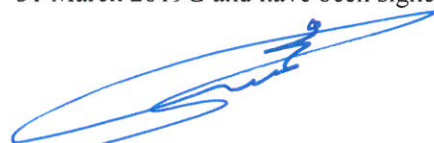
ARBAH CAPITAL COMPANY
(A CLOSED JOINT-STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Expressed in Saudi Riyals unless otherwise stated)

	Notes	31 December 2018	31 December 2017 (Note 5)	1 January 2017 (Note 5) (Restated)
ASSETS				
Investments	7	45,789,228	82,863,035	103,953,128
Investment properties	8	-	-	56,978,638
Property and equipment	9	274,746	316,932	475,594
Intangible assets	10	120,614	2,285,438	3,045,225
Development properties	11	105,384,990	105,110,004	50,216,010
Total non-current assets		151,569,578	190,575,409	214,668,595
Due from related parties	12	5,885,486	3,291,127	614,108
Prepayments and other current assets	13	1,045,834	2,557,004	1,846,935
Receivable and accrued income	14	2,882,615	3,193,064	5,156,257
Investments	7	13,521,618	13,667,857	3,527,319
Cash and cash equivalents	15	12,817,838	17,503,977	11,518,976
Total current assets		36,153,391	40,213,029	22,663,595
TOTAL ASSETS		187,722,969	230,788,438	237,332,190
EQUITY AND LIABILITIES				
Share capital	16	220,000,000	220,000,000	220,000,000
Statutory reserve	17	3,154,008	3,154,008	3,154,008
Fair value reserve		-	(35,367,059)	(30,412,119)
Accumulated losses		(84,705,356)	(13,737,564)	(209,344)
Equity attributable to owners of the Group		138,448,652	174,049,385	192,532,545
Non-controlling interests		283,753	(9,588)	-
Total equity		138,732,405	174,039,797	192,532,545
Employees' benefits	18	3,751,996	3,069,833	2,592,747
Term loan - non current portion	19	29,694,440	31,670,063	-
Total non-current liabilities		33,446,436	34,739,896	2,592,747
Term loan - current portion	19	3,000,000	2,000,000	-
Short term Murahaba		-	13,800,000	9,100,000
Accounts payable, accrual and other current liabilities	20	9,544,127	3,560,049	26,570,512
Due to related parties	12	-	785,790	350,000
Provision for zakat	21	3,000,001	1,862,906	6,186,386
Total current liabilities		15,544,128	22,008,745	42,206,898
Total liabilities		48,990,564	56,748,641	44,799,645
TOTAL EQUITY AND LIABILITIES		187,722,969	230,788,438	237,332,190

Contingencies & commitments 22

The consolidated financial statements appearing on pages 1 to 47 were approved by the Board of Directors on 31 March 2019G and have been signed on its behalf by:



Mr. Mahmood Al-Kooheji (CEO)



Dr. Hasan Al-Masri (CFO)

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements

ARBAH CAPITAL COMPANY
(A CLOSED JOINT-STOCK COMPANY)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Riyals unless otherwise stated)

	Notes	2018	2017 (Note 5)
Income			
Asset management	23	1,538,021	5,404,971
Income from foreign investments		3,688,141	-
Brokerage commission		2,488,343	2,074,456
(Loss) / income on investments	24	(7,102,005)	1,115,213
Rental revenue		2,700,000	-
Total income		3,312,500	8,594,640
Operating expenses:			
Salaries and employees related expenses		(10,892,731)	(6,823,167)
General and administrative expenses	25	(14,518,090)	(7,027,060)
Marketing expenses		(349,709)	(225,020)
Professional services		(1,758,736)	(534,329)
Total operating expenses		(27,519,266)	(14,609,576)
Net loss from operations		(24,206,766)	(6,014,936)
Finance costs		(2,071,603)	(57,454)
Other income	26	480,143	55,423
Foreign exchange loss		(433,423)	(24,159)
Net loss before zakat		(26,231,649)	(6,041,126)
Zakat	21	(3,453,389)	(7,284,694)
Net loss for the year		(29,685,038)	(13,325,820)
Net loss attributable to:			
- Owners of the Group		(29,978,379)	(13,266,231)
- Non-controlling interests		293,341	(59,588)
		(29,685,038)	(13,325,820)
Other comprehensive income:			
<i>Items that will not be reclassified to statement of comprehensive income</i>			
Re-measurement of employees' end of service benefits	18	(357,505)	(33,998)
Net change in fair value of investments classified as fair value through other comprehensive income	7	(5,264,848)	-
Total comprehensive loss for the year		(35,307,390)	(13,359,818)
Total comprehensive loss attributable to:			
- Owners of the Group		(35,600,731)	(13,300,229)
- Non-controlling interests		293,341	(59,588)
		(35,307,390)	(13,359,818)

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements

ARBAH CAPITAL COMPANY
(A CLOSED JOINT-STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Riyals unless otherwise stated)

	Attributable to the owner of the Company						Non-controlling interests	Total equity
	Share capital	Statutory reserve	Fair value reserves	Accumulated losses	Total			
Balance as at 1 January 2017	220,000,000	3,154,008	(30,412,119)	330,165	193,072,054	-	193,072,054	
Effect of transition to IFRS (Note 5)	-	-	-	(539,509)	(539,509)	-	(539,509)	
Restated balance as at 1 January 2017	220,000,000	3,154,008	(30,412,119)	(209,344)	192,532,545	-	192,532,545	
Impact of adoption of IFRS	-	-	-	(227,991)	(227,991)	-	(227,990)	
Non-controlling interests	-	-	-	-	-	50,000	50,000	
Net loss for the year	-	-	-	(13,266,231)	(13,266,231)	(59,588)	(13,325,820)	
Other comprehensive income for the year	-	-	-	(33,998)	(33,998)	-	(33,998)	
Net effect of adjustments in unrealized (loss) on financial investments	-	-	(4,954,940)	-	(4,954,940)	-	(4,954,940)	
Balance as at 31 December 2017	220,000,000	3,154,008	(35,367,059)	(13,737,564)	174,049,385	(9,588)	174,039,797	
Balance as at 1 January 2018	220,000,000	3,154,008	(35,367,059)	(13,737,564)	174,049,385	(9,588)	174,039,797	
Impact of adoption of IFRS 9	-	-	35,367,059	(35,367,059)	-	-	-	
Restated balance as at 1 January 2018	220,000,000	3,154,008	-	(49,104,623)	174,049,385	(9,588)	174,039,797	
Net loss for the year	-	-	-	(29,978,379)	(29,978,379)	293,341	(29,685,038)	
Other comprehensive income for the year	-	-	-	(5,622,354)	(5,622,353)	-	(5,622,353)	
Balance as at 31 December 2018	220,000,000	3,154,008	-	(84,705,356)	138,448,652	283,753	138,732,405	

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

ARBAH CAPITAL COMPANY
(A CLOSED JOINT-STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Riyals unless otherwise stated)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:			
Net loss for the year		(29,685,037)	(13,325,820)
<i>Adjustments for:</i>			
Provision for employee end of service benefits		519,513	461,964
Zakat charge for the year		3,453,389	1,862,906
Depreciation of property and equipment	9	144,045	166,017
Depreciation of real estate properties		-	513,926
Amortization of intangible assets	10	738,475	759,787
Finance costs		2,071,603	-
Gain on disposal of property and equipment		(75)	(2,400)
Loss on disposal of intangible assets		1,474,190	-
Unrealized loss on investments	24	(8,623,033)	258,394
Impairment losses on investments	25	-	915,373
Exchange foreign currency loss		200,000	-
Realized loss from investments	24	18,081,371	4,519,663
Realized gain on real estate properties		-	(4,671,540)
Cash generated from / (used in) operating activities		<u>(11,625,559)</u>	<u>(8,541,730)</u>
Changes in operating assets and liabilities:			
Receivable and accrued income		310,449	1,963,193
Prepayments and other current assets		1,511,170	(710,069)
Due from related parties		(2,594,359)	(3,077,019)
Due to related parties		(785,790)	419,621
Accounts payable, accrual and other current liabilities		5,984,078	(23,122,286)
Employees' benefits paid	18	(194,855)	(18,876)
Cash used in operating activities		<u>(7,394,866)</u>	<u>(33,087,166)</u>
Zakat paid	21	(2,316,294)	-
Finance costs Paid		(1,146,280)	(6,186,386)
Net cash used in operating activities		<u>(10,857,440)</u>	<u>(39,273,552)</u>
Cash flows from investing activities:			
Proceeds from sale of investments		339,251,363	4,658,998
Acquisition of investments		(317,680,451)	(4,357,812)
Additions to development properties	11	(274,986)	(54,893,994)
Proceed from sale of real estate investment		-	61,136,253
Disposal of subsidiaries		-	350,000
Proceeds from disposal of property and equipment		450	2,400
Acquisition of property and equipment		(102,234)	(7,355)
Acquisition of intangible assets		(47,841)	-
Net cash generated from investing activities		<u>21,146,300</u>	<u>6,888,490</u>

ARBAH CAPITAL COMPANY
(A CLOSED JOINT-STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Riyals unless otherwise stated)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Cash flows from financing activities:			
Short-term Murabaha		(13,800,000)	4,700,000
Long term loan		(1,175,000)	33,670,063
Net cash (used in) / generated from financing activities		(14,975,000)	38,370,063
Net (decrease) / increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		17,503,977	11,518,976
Cash and cash equivalents at the end of the year	15	12,817,838	17,503,977
Supplemental non-cash information			
Actuarial loss on employee benefits		357,505	33,998
Net changes in fair value through FVOCI investments		5,264,848	-

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements

ARBAH CAPITAL COMPANY
(A CLOSED JOINT-STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

Arbah Capital Company ("the Company") is a closed joint stock Company, registered in Dammam, Kingdom of Saudi Arabia under Commercial Registration number 2050059020 dated 4 Rabi' Al Awwal 1429H (corresponding to 12 March 2008). The Company is mainly engaged in conducting the securities business under CMA license No. 7083-37 dated 1/8/1428H such as asset management, investment banking, brokerage of securities and investment in capital market. The registered office of the company is situated in Saad AL-Muammar Business Center, Khaleej Road, Dammam Kingdom of Saudi Arabia.

The consolidated financial statements comprise those of the Company and its subsidiaries (collectively referred to as the "Group").

As at 31 December 2018, the Group has the following subsidiaries:

<u>Name of the subsidiaries</u>	<u>Country of incorporation</u>	<u>Effective Ownership Interest (%)</u>	<u>CR No.</u>	<u>CR Date</u>
Sorouh Al Arbah Real Estate Company	Saudi Arabia	100%	2050067007	25-11-1438H
Hadaiq Al Saeed Real Estate Development Company	Saudi Arabia	50%	2050234861	17-9-1430H

These consolidated financial statements were authorized for issue by the Board of Directors on 31 March 2019.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") (herein after refer to as "IFRS as endorsed in KSA").

Up to and including the year ended 31 December 2017, the Group has prepared and presented statutory financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA and the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the consolidated financial statements. In these consolidated financial statements, the term "SOCPA Standards" refers to SOCPA Standards before the adoption of International Financial Reporting Standards ("IFRS").

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

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flow of the Group is provided in note 5.

(b) Basis of measurement

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

ARBAH CAPITAL COMPANY
(A CLOSED JOINT-STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

(c) Functional and presentation currency

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

(d) Basis of Consolidation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Riyals unless otherwise stated)

2. **BASIS OF PREPARATION (CONTINUED)**

(e) **Significant accounting judgements, estimates and assumptions**

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

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

i. *Employee benefits*

The cost of defined benefit post-employment benefits and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate.

ii. *Useful lives and residual value of property and equipment*

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

iii. *Useful lives of intangible assets*

Management reviews the amortization period and the amortization method for any intangible asset with a finite useful life at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the Group changes the amortization period accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the Group changes the amortization method to reflect the changed pattern.

iv. *Impairment of non-financial assets*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Riyals unless otherwise stated)

2. **BASIS OF PREPARATION (CONTINUED)**

(e) **Significant accounting judgements, estimates and assumptions (continued)**

v. *Impairment of financial assets*

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost. The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The financial asset is 90 days or more past due.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

a) Measurement of ECLs

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

b) Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

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2. **BASIS OF PREPARATION (CONTINUED)**

iv. *Impairment of financial assets (continued)*

c) Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

d) Write-off

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

iv. *Fair value measurement of financial instruments*

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

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

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

v. *Zakat*

The Group is subject to Zakat in accordance with the regulations of General Authority of Zakat and Tax ("GAZT"). Significant judgment is required to determine the provision for the year. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the GAZT. The amount of such provision is based on various factors, such as experience of previous zakat audits and differing interpretations of zakat regulations by the Group and the GAZT. Such differences of interpretations may arise on a wide variety of issues depending on the prevailing conditions. Where the final zakat outcome of these matters are different from the amount initially recognized, such differences will not impact the zakat expense and liability in the period in which such estimate is made.

vi. *Going concern*

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

3. **IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS**

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

IFRS 9 – Financial Instruments

The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The new standard brings changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Group’s accounting policies resulting from its adoption of IFRS 9 are summarized below:

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). This classification is generally based, except equity instruments and derivatives, on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing categories of held-to-maturity, loans and receivables and available-for-sale.

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3. **IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)**

IFRS 9 – Financial Instruments (continued)

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model with an 'expected credit loss' model (ECL). IFRS 9 requires the Group to record an allowance for ECL for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECL over the life of the asset.

Under IFRS 9, credit losses are recognized earlier than under previous accounting standard. For an explanation of how the Group applies the impairment requirements of IFRS 9, see respective section of significant accounting policies.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Any difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

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

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

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with previous accounting standard and the new measurement categories under IFRS 9 for the Group's financial instruments as at 1 January 2018.

Financial instruments	Under pre-convergence GAAP	New Classification under IFRS 9	Original carrying value under IAS 39	New carrying value under IFRS 9
Investments	Available for sale	FVTPL	74,414,792	74,414,792
Investments	Held for trading	FVTPL	13,667,857	13,667,857
Investments	Amortized cost	FVOCI	8,448,243	8,448,243
Receivable & accrued income	Amortized cost	Amortized cost	3,193,064	3,193,064
Cash & cash equivalent	Amortized cost	Amortized cost	17,503,977	17,503,977

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3. **IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)**
IFRS 9 – Financial Instruments (continued)

Impact on accumulated losses and fair value reserves

	Accumulated losses	Fair value reserve
Closing balance under IAS 39 (31 December 2017)	(13,737,564)	(35,367,059)
Reclassifications under IFRS 9	(35,367,059)	35,367,059
Opening balance under IFRS 9 (1 January 2018)	(49,104,623)	-

The following table provides the carrying value of financial assets and financial liabilities in the statement of financial position.

	31 December 2018			Total carrying amount
	Mandatorily at FVTPL	FVOCI – equity investments	Amortized cost	
Financial assets				
Equity instruments	28,640,350	3,183,394	9,800,000	41,623,744
Mutual funds	17,687,102	-	-	17,687,102
Accounts receivable and accrued income	-	-	2,882,615	2,882,615
Cash & cash equivalent	-	-	12,817,838	12,817,838
Total financial assets	46,327,452	3,183,394	25,500,453	75,011,299

IFRS 15 Revenue from Contracts with Customers

The Group adopted IFRS 15 ‘Revenue from Contracts with Customers’ during the current period. IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018.

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group generates revenue primarily from the asset management service, transaction arrangement fee, realized & unrealized gain on investments at FVTPL, other sources of revenue include rental income from properties, therefore the impact of IFRS 15 is not material to the Group; and prior period amounts have not been restated.

4. SIGNIFICANT ACCOUNTING POLICIES

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

Current and non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

Revenue recognition

Policies after 1 January 2018

Dividend income

Dividend income is recognised in the statement of comprehensive income on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVTPL is recognised in statement of comprehensive income.

Net gain from financial instruments at FVTPL

Net gain from financial instruments at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences (if any), but excludes interest and dividend income, and dividend expense on securities sold short.

Fee from asset management

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

Murahaba

Murahaba is an agreement whereby the Operations sells to a customer a commodity or an asset, which the Operations has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

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4. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue recognition (continued)

Fee from brokerage

Fee from brokerage services are recognized upon execution of related deals and stated in profit or loss net of discounts.

Fee from advisory services

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

Under pre-convergence GAAP until December 31, 2017

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before the revenue is recognized.

Fees and commissions are recognized on an accrual basis when the service has been provided.

Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Fees received on other services that are provided over an extended period of time, are recognized rateably over the period when the service is being provided, if material.

Income from Murabaha financing and murabaha placements is recognized on a time proportionate basis over the period of the contract based on the principal outstanding and the profit rate agreed with the customers.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currency transactions

The Group's consolidated financial statements are presented in Saudi riyals, which is also the Group's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Transactions with NCI

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Accounts payable, accruals and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in consolidated equity.

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Business combination (continued)

i. *Subsidiaries*

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

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

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

ii. *Non-controlling interests*

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Arbah Capital Company in its subsidiaries and are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from Shareholders equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

iii. *Transactions eliminated on consolidation*

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

Trade date accounting

All regular way purchases and sales of financial assets are recognized and derecognized on the trade date, i.e. the date on which the asset is contracted with the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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4. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Capital work in progress is not depreciated. The cost less estimated residual value is depreciated on straight-line basis over the following estimated useful lives of the assets:

<u>Assets</u>	<u>Useful Lives</u>
Motor vehicles	4
Furniture and fixtures	5-10
Computers	5

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

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

Intangible assets

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

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

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

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

Development properties

Development properties are initially recognized at cost and subsequently measured at cost less accumulated impairment loss, if any.

Financial Instruments

Policy applicable after 1 January 2018

Classification of financial assets

On initial recognition, a financial asset is classified and measured at amortized cost, FVOCI or FVTPL.

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4. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Financial instruments (continued)

Policy applicable after 1 January 2018 (continued)

(i) *Financial assets at amortized cost*

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial instruments not measured at fair value are short-term financial assets and financial liabilities whose carrying amounts are a reasonable approximation of fair value. Cash and cash equivalents include cash in hand, deposits with banks and other short-term investments in an active market with original maturities of three months or less.

The Group classifies cash and cash equivalents, dividend receivable, margin receivable, and other receivables as financial assets at amortized cost.

(ii) *Financial assets at fair value through other comprehensive income ("FVOCI")*

A financial asset is measured at fair value through FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. The Group does not have any financial assets that are designated at fair value through other comprehensive income (FVOCI).

(iii) *Financial assets at fair value through income statement ("FVTPL")*

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. Investments in equity and debt securities are classified under this category.

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are accompanying those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**
Financial instruments (continued)

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

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

Assessments whether contractual cash flows are solely payments of principal and special commission (SPPI)

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

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

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

Classification of financial liabilities

The Group classifies its financial liabilities as those to be measured subsequently at amortized cost using the effective interest method, if they are not:

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- Designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The Group does not classify any of its financial liabilities under 'fair value through income statement (FVTPL)'.

(i) Initial recognition and measurement

Financial assets at FVTPL are initially recognized on the trade date, which the date on which the Group becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets at FVTPL are initially recognized at fair value, with transaction costs recognized in income statement. Financial assets or financial liabilities not FVTPL are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Net gain from financial assets at FVTPL includes all realized and unrealized fair value changes and foreign exchange differences, but excludes commission and dividend income. Net realized gain from financial assets at FVTPL is calculated using the average cost method.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Financial instruments (*continued*)

Financial assets and liabilities at amortized cost are initially measured at fair value including direct and incremental transaction costs and subsequently measured at amortized cost. The amortized cost is the amount at which the financial asset or financial liability is measured on initial recognition, minus principle repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(ii) Derecognition

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

On derecognition of the financial asset, the difference between the carrying amount of the asset (and the carrying amount allocated to the portion of the asset that is derecognized) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risk and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Group derecognize a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group has legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle them liability simultaneously. Income and expenses are presented on a net basis for gain and losses from financial instruments at FVTPL and foreign exchange gains and losses.

(iv) Impairment

The Group recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- margin receivables;

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- Margin receivables on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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4. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**
Financial instruments (continued)

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- Undrawn margin commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- margin commitments contracts: generally, as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve. Impairment losses are recognised in statement of income changes between the amortised cost of the assets and their fair value are recognized in OCI.

Policies before 1 January 2018

Held for trading investments (HFT)

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

Available for sale investments (AFS)

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

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

Accounts payable, accruals and other current liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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4. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Provisions

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

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

Contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognized because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

Employee benefits

(i) Post-employment benefits

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

(ii) Short term benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statutory reserve

In accordance with Group's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Group is required to recognise a reserve comprising of 10% of its Net Income for the year. As per its by-laws the Group ceased the contribution when such reserve reached 30% of its Share Capital.

Zakat and income tax

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final Zakat assessments are recorded in the period in which such assessments are made. Zakat is chargeable to the statement of comprehensive income.

Expenses

All expenses are classified as general and administrative expenses and selling and marketing expenses unless they are incurred for, and directly attributable to, the core revenue generating activities of the Group. Allocations of common expenses between direct expenses and general and administrative expenses, where required, are made on a consistent basis, appropriate to the nature of the item of expense and circumstances of the Group.

Investment Properties

Investment properties include those properties that are held for long term rental yields and/or for capital appreciation and land under operating leases that is held for long-term capital appreciation or for a currently indeterminate use. Investment properties include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of the property. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are included in statement of income when the changes arise.

5. FIRST-TIME ADOPTION OF IFRS

The accounting policies set out in note 4 have been applied in preparing the consolidated financial statements for the year ended 31 December 2018, the comparative information presented in these consolidated financial statements for the year ended 31 December 2017 and in the preparation of an opening IFRS consolidated statement of financial position at 1 January 2017.

In preparing its opening IFRS consolidated statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with Saudi Organization of Certified Public Accountants (previous GAAP). An explanation of how the transition from previous GAAP to IFRS has affected the Group's consolidated financial position and financial performance is set out in the table below.

There is no material impact on the consolidated statement of cash flows following adoption of IFRS as endorsed in the Kingdom of Saudi Arabia (KSA).

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. Group has not applied any of the exemption provided in IFRS 1.

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5. **FIRST-TIME ADOPTION OF IFRS (CONTINUED)**

The following is a reconciliation of the Group's consolidated statement of financial position reported in accordance with previous GAAP to its consolidated statement of financial position under IFRS as endorsed in KSA at 1 January 2017:

	SOCPA as at 31 December 2016	Remeasurements due to conversion	IFRS as at 1 January 2017
<u>ASSETS</u>			
Non-current assets:			
Investments	103,953,128	-	103,953,128
Investment properties	56,978,638	-	56,978,638
Property and equipment	475,594	-	475,594
Intangible assets	3,045,225	-	3,045,225
Development properties	50,216,010	-	50,216,010
Total non-current assets	214,668,595	-	214,668,595
Current assets:			
Due from related parties	614,108	-	614,108
Prepayments and other current assets	1,846,936	-	1,846,936
Receivables and accrued income	5,156,257	-	5,156,257
Investments	3,527,319	-	3,527,319
Cash and cash equivalents	11,518,976	-	11,518,976
Total current assets	22,663,595	-	22,663,595
Total assets	237,332,190	-	237,332,190
<u>LIABILITIES AND EQUITY</u>			
Equity:			
Share capital	220,000,000	-	220,000,000
Statutory reserve	3,154,008	-	3,154,008
Unrealized loss on available for sale investments	(30,412,119)	-	(30,412,119)
Retained earnings / (accumulated loss) (Note 5.1)	330,165	(539,509)	(209,344)
Equity attributable to Group's shareholders	193,072,054	(539,509)	192,532,545
Non-controlling interest	-	-	-
Total equity	193,072,054	(539,509)	192,532,545
Non-current liabilities:			
Employees' benefits (Note 5.1)	2,053,238	539,509	2,592,747
Total non-current liabilities	2,053,238	539,509	2,592,747
Current liabilities:			
Short term Murahaba	9,100,000	-	9,100,000
Accounts payable, accrual and other current liabilities	26,570,512	-	26,570,512
Due to related parties	350,000	-	350,000
Zakat provision	6,186,386	-	6,186,386
Total current liabilities	42,206,898	-	42,206,898
Total liabilities	44,260,136	539,509	44,799,645
Total liabilities and equity	237,332,190	-	237,332,190

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5. **FIRST-TIME ADOPTION OF IFRS (CONTINUED)**

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

	SOCPA as at 31 December 2017 (Note 30)	Remeasurements due to conversion	IFRS as at 31 December 2017
ASSETS			
Non-current assets:			
Investments	82,863,035	-	82,863,035
Property and equipment	316,932	-	316,932
Intangible assets	2,285,438	-	2,285,438
Development properties	105,110,004	-	105,110,004
Total non-current assets	190,575,409	-	190,575,409
Current assets:			
Due from related parties	3,291,127	-	3,291,127
Prepayments and other current assets	2,557,004	-	2,557,004
Receivables and accrued income	3,193,064	-	3,193,064
Investments	13,667,857	-	13,667,857
Cash and cash equivalents	17,503,977	-	17,503,977
Total current assets	40,213,029	-	40,213,029
Total assets	230,788,438	-	230,788,438
LIABILITIES AND EQUITY			
Equity:			
Share capital	220,000,000	-	220,000,000
Statutory reserve	3,154,008	-	3,154,008
Unrealized loss on available for sale investments	(35,367,059)	-	(35,367,059)
Accumulated losses (Note 5.1)	(13,085,576)	(651,988)	(13,737,564)
Equity attributable to Group's shareholders	174,701,373	(651,988)	174,049,385
Non-controlling interest	(9,588)	-	(9,588)
Total equity	174,691,785	(651,988)	174,039,797
Non-current liabilities:			
Employees' benefits (Note 5.1)	2,417,845	651,988	3,069,833
Term loan – non current portion	31,670,063	-	31,670,063
Total non-current liabilities	34,087,908	651,988	34,739,896
Current liabilities:			
Short term Murahaba	13,800,000	-	13,800,000
Term loan - current portion	2,000,000	-	2,000,000
Accounts payable, accrual and other current liabilities	3,560,049	-	3,560,049
Due to related parties	785,790	-	785,790
Zakat provision	1,862,906	-	1,862,906
Total current liabilities	22,008,745	-	22,008,745
Total liabilities	56,748,641	651,988	56,748,641
Total liabilities and equity	230,788,438	-	230,788,438

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5. **FIRST-TIME ADOPTION OF IFRS (CONTINUED)**

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

	SOCPA for the year ended 31 December 2017 (Note 30)	Remeasurements due to conversion	IFRS for the year ended 31 December 2017
Operating income:			
Assets management	5,404,971	-	5,404,971
Brokerage commissions	2,074,456	-	2,074,456
Income on investments	1,115,213	-	1,115,213
Total operating income	8,594,640	-	8,594,640
Operating expenses:			
Salaries and employees related expenses (Note 5.1)	(6,744,686)	(78,481)	(6,823,167)
General and administrative expenses	(7,027,060)	-	(7,027,060)
Marketing expenses	(225,020)	-	(225,020)
Professional services	(534,329)	-	(534,329)
Total operating expenses	(14,531,095)	(78,481)	(14,609,576)
Net loss from operation	(5,936,455)	(78,481)	(6,014,936)
Foreign exchange loss	(24,159)	-	(24,159)
Other income	55,423	-	55,423
Finance costs	(57,454)	-	(57,454)
Net loss before Zakat	(5,962,645)	(78,481)	(6,041,126)
Zakat	(7,284,694)	-	(7,284,694)
Net loss for the year	(13,247,339)	(78,481)	(13,325,820)
Other comprehensive income:			
<i>Items that will not be reclassified to consolidated statement of profit or loss in subsequent period:</i>			
Re-measurement of employees' end of service benefits	-	(33,998)	(33,998)
Total comprehensive loss for the year	(13,247,339)	(112,479)	(13,359,818)

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5. FIRST-TIME ADOPTION OF IFRS (CONTINUED)

5.1 Employees' benefits

Under SOCPA, the Group was not required to measure the defined benefit liability in accordance with the projected unit credit method. However, under IFRS, end of service benefits liability ("EOSB") is recognized on an actuarial basis. Therefore, as at the date of transition to IFRS, the Group re-measured the defined benefit liability in accordance with the projected unit credit method (as required by IAS 19) through an actuarial valuation of the EOSB. The impact arising from the change is summarized as follows:

	<u>1 January 2017</u>	<u>31 December 2017</u>
Consolidated statement of comprehensive income		
Increase in Salaries and employee related expenses	-	(78,481)
Remeasurement losses on employees' benefit	-	(33,998)
	-	(112,479)
Consolidated statement of financial position	<u>1 January 2017</u>	<u>31 December 2017</u>
Employee Benefits	539,509	651,988
Accumulated losses	(539,509)	(651,988)
	-	-
Consolidated statement of changes in equity	<u>1 January 2017</u>	<u>31 December 2017</u>
Retained earning / (accumulated loss) under SOCPA	330,165	(13,085,576)
Impact of employees' benefits	(539,509)	(651,988)
Accumulated loss under IFRS	(209,344)	(13,737,564)

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6. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of amendments and standards are effective for the period beginning on or after 1 January 2019 and earlier application is permitted; however, the Group has not early applied these new amendments and standards in preparing these consolidated financial statements as these do not have material impact on the Group's financial statements.

The Group is in process of assessing the impact of the new or amended standards given as follows:

- IFRS 16 Leases
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards
- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

IFRS 16 - 'Leases'

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The new standard will be effective for annual periods beginning on or after 1 January 2019, early application is permitted and must be disclosed.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard (IAS 17 Leases) - i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including:

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

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. (see note 30)

The actual impact of applying IFRS 16 on the consolidated financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

Other standards

The following amended standards and interpretations are required to be adopted in annual periods beginning on 1 January 2019

- IFRIC 23 - Uncertainty over Tax Treatments;
- Prepayment Features with Negative Compensation - (Amendments to IFRS 9);
- Long-term Interests in Associates and Joint Ventures - (Amendments to IAS 28);
- Plan Amendment, Curtailment or Settlement - (Amendments to IAS 19);
- Annual Improvements to IFRS Standards 2015-2017 cycle;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) with effective annual period yet to be determined.

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6. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - clarifies how the Group accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.
- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

IAS 12 Income Taxes - clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in statement of comprehensive income.

IAS 23 Borrowing Costs - clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

- Amendments to References to Conceptual Framework in IFRS Standards;
- IFRS 17 Insurance Contracts.

7. INVESTMENTS

<u>Classification of investments</u>		31 December 2018	31 December 2017	1 January 2017
Investments at FVTPL – non current	7.1	42,605,834	-	-
Investments at FVOCI	7.2	3,183,394	-	-
Investments at cost		-	8,448,243	9,363,616
Available for sale investments		-	74,414,792	94,589,512
Investments – non current		45,789,228	82,863,035	103,953,128
Investments at FVTPL - current	7.1	13,521,618	-	-
Held for trading		-	13,667,857	3,527,319
Investments – current		13,521,618	13,667,857	3,527,319

7.1 This represents investment in public and private sector securities. All these investments are classified as fair value through income statement.

7.2 This investment represents investment in private equity outside Kingdom of Saudi Arabia. The fair value of this investment is determined in accordance with generally accepted pricing model.

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8. INVESTMENT PROPERTIES

	<u>31 December 2018</u>	<u>31 December 2017</u>	<u>1 January 2017</u>
Cost:			
Balance at the beginning of the year	-	57,156,866	17,831,863
Transfer from projects and land under development	-	-	44,674,562
Disposals during the year	-	(57,156,866)	(5,349,559)
Balance at the end of the year	<u>-</u>	<u>-</u>	<u>57,156,866</u>
Accumulated depreciation:			
Balance at the beginning of the year	-	178,228	-
Charge for the year	-	513,926	178,228
Disposals	-	(692,154)	-
Balance at the end of the year	<u>-</u>	<u>-</u>	<u>178,228</u>
Carrying value	<u>-</u>	<u>-</u>	<u>56,978,638</u>

9. PROPERTY AND EQUIPMENT

Movement in property and equipment is as follows:

	<u>Vehicles</u>	<u>Furniture, fixtures and office equipment</u>	<u>Computers</u>	<u>Total</u>
Cost:				
Balance at 1 January 2018	82,000	5,335,449	7,298,654	12,716,103
Additions during the year	-	34,489	67,745	102,234
Disposals during the year	-	(70,900)	-	(70,900)
Balance at 31 December 2018	<u>82,000</u>	<u>5,299,038</u>	<u>7,366,399</u>	<u>12,747,437</u>
Less: Accumulated depreciation				
Balance at 1 January 2018	82,000	5,320,558	6,996,613	12,399,171
Charge for the year	-	14,296	129,749	144,045
Disposals	-	(70,525)	-	(70,525)
Balance at 31 December 2018	<u>82,000</u>	<u>5,264,329</u>	<u>7,126,362</u>	<u>12,472,691</u>
Carrying amount as at 31 December 2018	<u>-</u>	<u>34,709</u>	<u>240,037</u>	<u>274,746</u>

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9. PROPERTY AND EQUIPMENT (CONTINUED)

	<u>Vehicles</u>	<u>Furniture, fixtures and office equipment</u>	<u>Computers</u>	<u>Total</u>
Cost:				
Balance at 1 January 2017	82,000	5,344,249	7,291,299	12,717,548
Additions during the year	-	-	7,355	7,355
Disposals during the year	-	(8,800)	-	(8,800)
Balance at 31 December 2017	<u>82,000</u>	<u>5,335,449</u>	<u>7,298,654</u>	<u>12,716,103</u>
Less: Accumulated depreciation:				
Balance at 1 January 2017	61,500	5,314,607	6,865,847	12,241,954
Charge for the year	20,500	14,751	130,766	166,017
Disposals	-	(8,800)	-	(8,800)
Balance at 31 December 2017	<u>82,000</u>	<u>4,320,558</u>	<u>6,996,613</u>	<u>12,399,171</u>
Carrying amount				
31 December 2017	<u>-</u>	<u>14,891</u>	<u>302,041</u>	<u>316,932</u>
1 January 2017	<u>20,500</u>	<u>29,642</u>	<u>425,452</u>	<u>475,594</u>

10. INTANGIBLE ASSETS

Movement in intangible assets is as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>	<u>1 January 2017</u>
Cost:			
Balance at the beginning of the year	10,633,579	10,633,579	10,633,579
Additions during the year	47,841	-	-
Write off	(9,367,039)	-	-
Balance at the end of the year	<u>1,314,381</u>	<u>10,633,579</u>	<u>10,633,579</u>
Amortization:			
Balance at the beginning of the year	8,348,141	7,588,354	6,811,750
Charge for the year	738,475	759,787	776,604
Write off	(7,892,849)	-	-
Balance at the end of the year	<u>1,193,767</u>	<u>8,348,141</u>	<u>7,588,354</u>
Carrying value	<u>120,614</u>	<u>2,285,438</u>	<u>3,045,225</u>

11. DEVELOPMENT PROPERTIES

The movement in the development properties is summarized as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>	<u>1 January 2017</u>
Balance at the beginning of the year	105,110,004	50,216,010	71,845,305
Additions during the year	274,986	63,007,254	23,045,267
Adjustments	-	(8,113,260)	-
Transfer to real estate properties	-	-	(44,674,562)
Balance at the end of the year	<u>105,384,990</u>	<u>105,110,004</u>	<u>50,216,010</u>

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11. DEVELOPMENT PROPERTIES (CONTINUED)

Development properties include properties with a carrying value of SR 70,009,750 (2017: SR 20,009,750) pertaining to subsidiaries.

The fair value of development properties at 31 December 2018 amounted to SR 162,779,678 are as per valuations conducted by professional valuers.

Development properties also include land with a carrying value of SR 20,009,750 (2017: SR 20,009,750). All development properties are located in Kingdom of Saudi Arabia.

Development properties amounting to SR 50,000,000 are pledge as collateral against term loan (note 19).

12. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the shareholders, associated companies, directors and key management personnel of the Group or significantly influenced by such parties.

Pricing policies and terms of these transactions are approved by the Group's management.

The following table provides the total amount of transactions that have been entered into with related parties for the years ended 31 December 2018 and 2017:

<u>Name</u>	<u>Relationship</u>
Arbah IPO Fund	Other related party
Arbah Saudi Equity Fund	Other related party
Arbah GCC Liquidity Fund	Other related party
Marsa 2 Fund	Other related party
Thara Real Estate	Other related party

<u>Transactions with</u>	<u>Nature of transactions</u>	<u>2018</u>	<u>2017</u>
Arbah IPO Fund	Management and custodian fees	665,269	1,211,769
	Redemption	1,153,417	-
Arbah Saudi Equity Fund	Management and custodian fees	163,953	174,910
Arbah GCC Liquidity Fund	Management and custodian fees	55,336	-
Thara Real Estate	Rental	177,722	-
Al Saeed real estate	Expenses paid on behalf of Arbah Capital Company	(785,790)	785,790
Marsa 2 Fund	Management and other fees revenue	3,608,185	3,240,375
	Expenses paid on behalf of the Fund	805,464	6,000

Balances with related parties are as follows:

Due from related parties

	<u>31 December 2018</u>	<u>31 December 2017</u>	<u>1 January 2017</u>
Arbah IPO Fund	1,211,407	33,900	141,002
Marsa 2 Fund	4,413,649	3,246,375	123,106
Thara Real Estate	177,722	-	-
Arbah GCC Liquidity Fund	45,821	-	-
Arbah Saudi Equity Fund	36,887	10,852	-
Others	-	-	350,000
	<u>5,885,486</u>	<u>3,291,127</u>	<u>614,108</u>

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12. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Due to related parties

		31 December	31 December	1 January
	Relationship	2018	2017	2017
Parking Specialist Company	Common director	-	-	100,000
Warehouses Company	Common director	-	-	100,000
Al Saeed Real Estate Company	Common director	-	785,790	-
Technology Sources Company	Common director	-	-	100,000
Arbah Energy Company	Common director	-	-	50,000
		<u>-</u>	<u>785,790</u>	<u>350,000</u>

Key management personnel

Key management personnel compensation comprised

	31 December	31 December
	2018	2017
Short term employee benefits	3,856,263	1,964,067
Employees' benefits	1,312,214	1,079,966
	<u>5,168,477</u>	<u>3,044,033</u>

During the year ended 31 December 2018, Board of Directors were paid SR 314,000 (2017: SR nil) for attending various meeting held during the year.

13. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2018	31 December 2017	1 January 2017
Prepaid employee related expenses	387,710	841,849	544,387
Prepaid operating expenses	340,000	939,535	629,389
Prepaid medical insurance	128,195	77,694	67,050
Others	189,929	697,926	606,109
	<u>1,045,834</u>	<u>2,557,004</u>	<u>1,846,935</u>

14. RECEIVABLES AND ACCRUED INCOME

	31 December	31 December	1 January
	2018	2017	2017
Margin receivables	2,253,023	2,828,287	1,196,901
Management fee	30,773	37,952	86,747
Dividends	332,273	31,500	-
Commissions	13,563	34,432	-
Other receivables	-	-	3,763,503
Accrued rent revenue	-	-	90,334
Others	252,983	260,893	18,772
	<u>2,882,615</u>	<u>3,193,064</u>	<u>5,156,257</u>

15. CASH AND CASH EQUIVALENTS

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

	31 December	31 December	1 January
	2018	2017	2017
Cash at banks	<u>12,817,838</u>	<u>17,503,977</u>	<u>11,518,976</u>

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16. SHARE CAPITAL

The Group operates with a capital of SR 220,000,000 divided into 22,000,000 shares at SR 10 par value each. All of them are ordinary shares.

At the reporting date, the share capital of the Group is divided as follows:

	31 December 2018, 2017 and 1 January 2017	
	%	SR
International Investors Holding Company	15.90%	35,000,000
Abdullah Rushaid AL Rushaid & Son Company	11.14%	24,500,000
Al Kifah Holding Company	10.00%	22,000,000
Abdul Razzaq Mohammed Qanbar Al Ansari & Sons Co. Ltd.	9.09%	20,000,000
Al Majdouie Investment Company Limited	9.09%	20,000,000
Abdullah Hamad Ammar AL Ammar	9.09%	20,000,000
Abdulahdi Al Qahtani & Partners for Marine and Oil Field Services Company	6.82%	15,000,000
Ibdar Bank B.S.C	4.55%	10,000,000
Awali Dubai Real Estate Investment Company	4.55%	10,000,000
Nasser Mohammed AlNabit & Sons Company	4.55%	10,000,000
Abdullah Saleh Aba Hussein	2.27%	5,000,000
Abdulmohsen Rashed Abdulrahman Al Rashed	2.27%	5,000,000
Salem Balhammer Real Estate Company	2.27%	5,000,000
Sons of Abdullah Ahmed Al Mohaish Holding Co.	2.27%	5,000,000
Al Amwaj International Company Limited	2.27%	5,000,000
Wasl Saad Mohammed Al Ahmady	1.59%	3,500,000
Jamal Ibrahim Al Jassim & Partners Co	0.91%	2,000,000
Sultan Saleh Abdul Aziz Al Rajhi	0.91%	2,000,000
Somu Holding Company	0.46%	1,000,000
	100%	220,000,000

17. STATUTORY RESERVE

In accordance with the Company's By-laws, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. This reserve is not available for dividend distributions. No transfer has been made this year due to the loss incurred by the Group.

18. EMPLOYEES' BENEFITS

	Note	31 December 2018	31 December 2017	1 January 2017
Post employments benefits	18.1	3,751,996	3,069,833	2,692,747

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18. EMPLOYEES' BENEFITS (CONTINUED)

18.1 Post employments benefits

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labour Law. The Group and its subsidiaries recognized the benefits in the consolidated statement of income. The benefit is based on employees' salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in the consolidated statement of income and consolidated statement of other comprehensive income and amounts recognized in the consolidated statement of financial position.

Net benefit expense recognised in consolidated statement of comprehensive income:

	<u>2018</u>	<u>2017</u>
Current service costs	397,151	352,362
Interest cost on benefit obligation	122,362	109,602
	<u>519,513</u>	<u>461,964</u>

Net benefit expense recognised in consolidated statement of other comprehensive income:

	<u>2018</u>	<u>2017</u>
Re-measurement gains and losses on obligation		
Loss due to change in financial assumptions	63,762	154,292
Loss due to change in experience adjustments	293,743	(120,294)
	<u>357,505</u>	<u>33,998</u>

Movement in the present value of defined benefit obligation:

	<u>2018</u>	<u>2017</u>
As at 1 January	3,069,833	2,592,747
Current service cost	397,151	352,362
Interest cost	122,362	109,602
Actuarial loss on the obligation recognised in OCI	357,505	33,998
Benefits paid during the year	(194,855)	(18,876)
As at 31 December	<u>3,751,996</u>	<u>3,069,833</u>

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	<u>2018</u>	<u>2017</u>
Discount rate	4.60%	3.85%
Future salary increases	4.60%	3.85%
Mortality rates	WHO SA16 - 75%	WHO SA16 - 75%
Rates of employee turnover	Moderate	Moderate

Assumptions regarding future mortality have been based on published statistics and mortality tables i.e. 75% of World Health Organization Life Table 2016 for Kingdom of Saudi Arabia.

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligation as at 31 December is shown below:

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18. EMPLOYEES' BENEFITS (CONTINUED)

Assumptions

Sensitivity analysis

Defined benefit obligation as at 2018
Defined benefit obligation as at 2017

	<u>Discount rate</u>	
	0.5%	0.5%
	<u>Increase</u>	<u>Decrease</u>
Defined benefit obligation as at 2018	3,566,053	3,953,160
Defined benefit obligation as at 2017	2,914,602	3,237,967

Future Salary increase

Defined benefit obligation as at 2018
Defined benefit obligation as at 2017

	<u>0.5%</u>	
	<u>Increase</u>	<u>Decrease</u>
Defined benefit obligation as at 2018	3,877,303	3,633,680
Defined benefit obligation as at 2017	3,175,545	2,970,074

The sensitivity above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. The average duration of the defined benefit obligation at the end of the reporting period is **10.30** years (2017: 10.51 years).

The weighted average duration of the defined benefit obligation is 10.3 (2017:10.51) years.

19. TERM LOANS

The movement during the year is analysed as follows:

	<u>2018</u>	<u>2017</u>
Non-current portion	29,694,440	31,670,063
Current portion	3,000,000	2,000,000
Total	<u>32,694,440</u>	<u>33,670,063</u>

During the year ended 31 December 2017, one subsidiary of the Group obtained a term loan for 5 year tenure from a commercial bank that carries mark-up at commercial market rates. The loan is secured against the property of subsidiary (Note 11) and it is repayable in 10 semi-annual instalments.

20. ACCOUNTS PAYABLE, ACCRUAL AND OTHER CURRENT LIABILITIES

	<u>31 December 2018</u>	<u>31 December 2017</u>	<u>1 January 2017</u>
Accounts payable	1,501,068	2,535,609	25,698,771
Employee related expenses	704,831	561,190	450,406
Other accrued expenses	7,338,228	463,250	421,335
	<u>9,544,127</u>	<u>3,560,049</u>	<u>26,570,512</u>

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21. ZAKAT PROVISION

	31 December 2018	31 December 2017	1 January 2017
Equity	209,416,444	223,256,182	229,299,331
Provisions and other items	36,069,833	13,014,892	22,407,492
Adjusted net loss for the year	(25,291,014)	(5,464,430)	(3,883,523)
	220,195,263	230,806,644	247,823,300
Less:			
Non-current assets	(165,091,196)	(156,290,426)	(209,815,825)
Net Zakat base	55,104,067	74,516,218	38,007,475
Zakat at 2.5% of net Zakat base	1,377,602	1,862,906	950,188

The movement in the provision for Zakat is summarized as follows:

	31 December 2018	31 December 2017	1 January 2017
Balance at the beginning of the year	1,862,906	6,186,386	6,605,786
Transfer from provision for withholding tax	-	-	70,109
Paid during the year	(2,316,294)	(6,186,386)	(1,439,697)
Prior year adjustment	432,973	-	-
Provision for the year	1,377,602	1,862,906	950,188
Adjustment for the additional provision	1,642,814	-	-
Balance at the end of the year	3,000,001	1,862,906	6,186,386

The Group obtained a restricted zakat certificate for the year ended 31 December 2017 which is valid till 30 April 2019. According to zakat assessment for the Years 2011, 2012 and 2013 zakat payable amounts to SR 1,089,025. The Group has submitted an appeal to protest this assessment and it is still under review by the General Authority of Zakat and Tax (GAZT).

During the year ended 31 December 2018, zakat assessment for the years 2014, 2015, 2016 and 2017 was issued by GAZT and according to this additional zakat payable amounts to SR 10,794,462. The Group has submitted an appeal to protest this assessment and it is still under review by the General Authority of Zakat and Tax (GAZT).

22. CONTINGENCIES AND COMMITMENTS

As at 31 December 2018 and 2017, there were no significant legal proceedings outstanding against the Group and also refer Note 21.

23. ASSET MANAGEMENT

	31 December 2018	31 December 2017
Management fees	1,133,815	3,404,368
Development fees	292,810	109,668
Advisory fees	75,000	
Custody fees	34,105	605,335
Admin and registration fees	2,291	432,000
Arrangement fees	-	853,600
	1,538,021	5,404,971

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24. (LOSS) / INCOME ON INVESTMENTS

	31 December 2018	31 December 2017
Realized loss from investments	(18,081,371)	(4,519,663)
Unrealized gain / (loss) from investments	8,623,033	(258,394)
Dividend income	1,493,273	1,003,542
Murabaha revenue	579,532	-
Murabaha on margin financing	196,392	193,531
Term deposit	87,136	24,656
Gain on sale of properties	-	4,671,541
	<u>(7,102,005)</u>	<u>1,115,213</u>

25. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2018	31 December 2017
Travel and accommodation expenses	958,888	146,533
Write off of intangible asset (note 10)	1,474,190	-
Depreciation and amortization (note 10 & 11)	882,520	1,439,730
Rent expense	698,287	678,676
Communications	636,999	556,650
Subscription fees	576,659	626,289
Governmental fees	548,015	528,231
Insurance expense	533,698	476,370
Bank charges	484,260	-
Maintenance expenses	379,151	607,019
Board and committee compensations	366,440	551,724
Impairment of investments	-	915,373
Other expenses	6,978,983	500,465
	<u>14,518,090</u>	<u>7,027,060</u>

26. OTHER INCOME

	31 December 2018	31 December 2017
Sourcing and arrangement income	400,000	-
Others	80,143	55,423
	<u>480,143</u>	<u>55,423</u>

27. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk and price risk) and liquidity risk. The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework and policies. The Group's exposure to credit, market and liquidity risk from financial instrument is as follows:

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27. **FINANCIAL RISK MANAGEMENT (CONTINUED)**

a) Credit risk

The Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk represents the accounting loss that would be recognized at the reporting date if counter party to the financial instrument fails to perform as contracted. The Group has credit risk concentrated in the investments and it manages its risk on investments by investing in diversified portfolio. Group has placed its funds with banks which have a sound credit rating.

The Group's exposure to credit risk is as indicated by the carrying amount of its financial assets which principally consist of investments, accounts receivable, due from related parties and bank balances (if any).

As at year end, the Group's maximum exposure to credit risk is as follow:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Investments	59,310,846	96,530,892	107,480,447
Accounts receivables	2,882,615	3,193,064	5,156,257
Cash at bank	12,817,838	17,503,977	11,518,976
Due from related parties	5,885,486	3,291,127	614,108
	<u>80,896,785</u>	<u>120,519,060</u>	<u>124,769,788</u>

Credit quality of financial assets:

The financial assets of the Group represent credit worthy counter parties with a rigorous mechanism of initial and ongoing credit enhancement enforced by the management.

b) Market risk

The Group is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument may fluctuate because of changes in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises three types of risk i.e. price risk, currency risk and interest rate risk.

i) Price risk

The price risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), Whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

a) FVTPL investments

At the reporting date, FVTPL investments are represented by equity funds, private real estate funds and mutual funds respectively. The Group regularly monitors on individual basis the market risk on these investments. At the reporting date, a 5% (December 31, 2017: 5%) change in the net asset values of the underlying investments would have increased or decreased the net income by SR 28.6 million (December 31, 2017: SR 4.4 million).

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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) FVOCI investments

At the reporting date, FVOCI investments are represented by investment in private equity. The Group regularly monitors on individual basis the market risk on these investments. At the reporting date, a 5% change in the net asset values of the underlying investments would have increased or decreased the net income by SR 1.59 million.

ii) Currency risk

Foreign exchange risk

Foreign exchange risk means the cash flow and financial performance uncertainty arising from exchange rate fluctuations. The Group mainly deals in local currency Saudi Riyal and United States Dollar. Since Saudi Arabian Riyals is pegged to US Dollars, therefore the exposure to foreign currency risk is not significant. The Group has an investment in Arbah Regent Crescent London amounting to GBP 2 million in SR 9.8 million.

Currency position

The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. As at 31 December, the Group had the following significant net exposures denominated in foreign currencies:

	<u>2018</u>	<u>2017</u>
GBP	<u>9,800,000</u>	<u>-</u>

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonable possible change in GBP exchange rate, with all other variable held constant, of the Group's profit before zakat and the Group's equity, if any. The Groups' exposure to foreign currency changes for all other currencies is not material.

	Change in GBP rate	<u>2018</u>	<u>2017</u>
GBP to Saudi Riyal	+/- 0.5	<u>49,000</u>	<u>-</u>

iii) Interest rate risk

The interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group is mainly exposed to interest rate risk in respect of finance leased for acquisition of aircrafts. At the reporting date, the interest rate profile of the Group's interest bearing financial instrument is:

Variable rate instruments

Liabilities carried at amortized cost

	<u>2018</u>	<u>2017</u>
Long term loan	<u>32,694,440</u>	<u>33,670,063</u>

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27. **FINANCIAL RISK MANAGEMENT (CONTINUED)**
Interest rate risk (continued)

Sensitivity analysis for variable rate instruments

Management runs a sensitivity analysis for interest rate risk. A reasonable increase of 100 basis points in interest rates at the reporting date would have decreased statement of income and equity by SR 0.33 million (2017: SR 0.34 million). A decrease of 100 basis point would have had equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Sensitivity analysis for fixed rate instruments

The Group does not hold any fixed rate financial instruments at fair value through statement of income. Therefore, a change in interest rate at reporting date would not affect statement of income of the Group in respect of these instruments.

Liquidity risk

Liquidity risk represents the risk that the Group may encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

The Group's liquidity management process is monitored by senior management, includes the following in response to liquidity risk:

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace Groups when they are withdrawn. The shareholders are regularly informed by senior management regarding any payment falling due.

Summarized below in the table is the maturity profile of financial assets (2017: nil) and liabilities based on the remaining period at the end of reporting period to the contractual maturity date. Balances due within 12 months approximate their carrying amounts, as the impact of discounting is insignificant. The amounts disclosed are the contractual undiscounted cash flows are as follow:

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27. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Financial liabilities - not carried at fair value	Carrying value	Less than 1 year	1 to 5 years	Total
As at 31 December 2018				
Non-interest bearing				
Accounts and other payables	1,501,060	1,501,060	-	1,501,060
Interest bearing				
Long term loan	32,694,440	3,982,000	33,733,440	37,715,440
	<u>34,195,500</u>	<u>5,483,060</u>	<u>33,733,440</u>	<u>39,216,500</u>
As at 31 December 2017				
Non-interest bearing				
Accounts and other payables	2,535,609	2,535,609	-	2,535,609
Interest bearing				
Long term loan	33,670,063	3,909,336	35,709,063	39,618,399
	<u>36,205,672</u>	<u>6,444,945</u>	<u>35,709,063</u>	<u>42,154,008</u>
As at 1 January 2017				
Non-interest bearing				
Accounts and other payables	25,698,771	25,698,771	-	25,698,771

Determination of fair values - fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction other than in a forced or liquidation sale. The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

28. FAIR VALUE MEASUREMENT

Fair value hierarchy

The levels of fair value hierarchy are defined as follows:

Level 1: Measurement is made by using quoted prices (unadjusted) from an active market.

Level 2: Measurement is made by means of valuation methods with parameters derived directly or indirectly from observable market data.

Level 3: Measurement is made by means of valuation methods with parameters not based exclusively on observable market data.

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
31 December 2018					
Financial assets measured at fair value					
Equity investments	59,310,846	46,327,452	-	12,983,394	59,310,846
Total investments	<u>59,310,846</u>	<u>46,327,452</u>	<u>-</u>	<u>12,983,394</u>	<u>59,310,846</u>

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28. FAIR VALUE MEASUREMENT (CONTINUED)

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
31 December 2017					
Financial assets measured at fair value					
Equity investments	96,530,892	88,082,649	-	8,448,243	96,530,892
Total investments	96,530,892	88,082,649	-	8,448,243	96,530,892

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
1 January 2017					
Financial assets measured at fair value					
Equity investments	107,480,447	98,116,831	-	9,363,616	107,480,447
Total investments	107,480,447	98,116,831	-	9,363,616	107,480,447

Mutual fund units

The fair value is estimated based on the valuation of the underlying assets, valuation happens on daily basis to produce the unit price except for Arbah Saudi Equity Fund & Arbah IPO Fund that is then used to calculate the market value for the units held by the investors.

Financial investments – Traded in active market

The fair values of financial investments based on traded value in an active market and the quotes reflect the actual transactions in similar instruments.

Equity and financial investments – Not traded in active market

Market value for the securities whose price are not quoted in an active market, P/E ratio of the comparable Group has been used to determine the market value of the securities.

Level 3 investments

The balances presented in level 3 constitute of unquoted securities that are valued using market multiple derived from quoted prices of companies comparable to investee.

Transfer between Level 1, Level 2 and level 3

There is no change in fair value measurements for the investment categorized within the Levels of the fair value hierarchy.

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28. FAIR VALUE MEASUREMENT (CONTINUED)

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values

	<u>2018</u>	<u>2017</u>
Opening balance 1 January	8,448,243	9,363,616
Purchases during the year	10,000,000	-
Total losses recognized in comprehensive income	(5,264,848)	(915,373)
Foreign exchange loss	(200,000)	-
Closing balance as at 31 December	<u>12,983,395</u>	<u>8,448,243</u>

29. STATUTORY SHARE CAPITAL ADEQUACY REQUIREMENTS

This item is summarized as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>	<u>1 January 2017</u>
	<u>SR '000'</u>		
Share capital base:			
1 st tier of share capital	138,328	172,213	189,393
2 nd tier of share capital	-	-	-
Total capital base	<u>138,328</u>	<u>172,213</u>	<u>189,393</u>
Minimum share capital			
Credit risk	80,419	72,627	91,497
Market risk	4,176	2,371	578
Operating risk	7,784	3,855	3,541
Total minimum share capital required	<u>92,379</u>	<u>78,853</u>	<u>95,616</u>
Share capital adequacy ratio:			
Surplus/in share capital	45,949	93,360	93,777
Financial adequacy ratio (once)	<u>1.50</u>	<u>2.18</u>	<u>1.98</u>

Capital base comprises:

- 1) 1st tier of share capital: 1st tier of share capital comprises paid up capital, retained earnings, all reserves save revaluation reserves less intangible assets and unrealized loss from investments.
- 2) 2nd tier of share capital: 2nd tier of share capital comprises unrealized gain from investments.
- 3) The minimum share capital is calculated for market, credit and operations risks based on the third foundation of the financial adequacy rules issued by Capital Markets Authority (CMA).
- 4) The Group aims through capital adequacy management to comply with the share capital regulations set forth by CMA to maintain the Group as a going concern and to maintain a resilient capital base.

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30. RESTATEMENTS ON ACCOUNT OF PRIOR YEAR ERROR

The Group had prepared a set of consolidated financial statements for the year ended 31 December 2017 under generally accounting standards issued by Saudi Organization of Certified Public Accountants (“SOCPA”) in which the Group had not consolidated one of its subsidiary Hadaiq Al Saeed Real Estate Development Company. Further, a plot of land and its corresponding liability amounting to SR 8,111,260 was incorrectly recorded in consolidated financial statements as of 31 December 2017.

These errors have been rectified in these consolidated financial statements and the effect on the consolidated financial statements prepared under previous GAAP is shown below:

	For the year ended 31 December 2017 (Previously stated) (Note 5)	Effect due to restatement	For the year ended 31 December 2017 (Restated) (Note 5)
<i>Consolidated statement of comprehensive income</i>			
General and administrative expenses	(6,980,337)	(46,723)	(7,027,060)
Professional services	(519,329)	(15,000)	(534,329)
Finance costs	-	(57,454)	(57,454)
Net loss	(13,206,643)	(119,177)	(13,325,820)

	As at 31 December 2017 (Previously stated)	Effect due to restatement	As at 31 December 2017 (Restated)
<i>Consolidated statement of financial position</i>			
Development properties	63,221,264	41,888,740	105,110,004
Due from related parties	3,341,127	(50,000)	3,291,127
Cash and cash equivalent	16,948,422	555,555	17,503,977
Investment in subsidiaries	16,050,000	(16,050,000)	-
Term loan	-	33,670,063	33,670,063
Accounts payable, accrual and other current liabilities	(11,606,876)	8,046,827	(3,560,049)
Due to related parties	-	(785,790)	(785,790)
Accumulated losses	(13,618,387)	(119,177)	(13,737,564)

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31. SUBSEQUENT EVENTS

Subsequent to the year ended 31 December 2018, the Group has obtained approval on 2 January 2019 to change its shareholders to the following:

	<u>%</u>	<u>Value of shares</u>
International Investors Holding Company	15.91%	35,000,000
Abdullah Rushaid Al Rushaid & Son Company (Al Rushaid Investment Company)	11.14%	24,500,000
Al Kifah Holding Company	10.00%	22,000,000
Abdul Razzaq Mohammed Qanbar Al Ansari & Sons Co. Ltd.	9.09%	20,000,000
Al Majdouie Investment Company Limited	9.09%	20,000,000
Abdullah Hamad Ammar Al Ammar	9.09%	20,000,000
Abdulahdi Al Qahtani & Partners for Marine and Oil Field Services Company	6.82%	15,000,000
Ibdar Bank B.S.C	4.55%	10,000,000
Nasser Mohammed AlNabit & Sons Company	4.55%	10,000,000
Abdullah Saleh Aba Hussein	2.27%	5,000,000
Abdulmohsen Rashed Abdulrahman Al Rashed	2.27%	5,000,000
Salem Balhammer Real Estate Company	2.27%	5,000,000
Sons of Abdullah Ahmed Al Mohaish Holding Co.	2.27%	5,000,000
Al Amwaj International Company Limited	2.27%	5,000,000
Hussain Hassan Al Namer Company	2.05%	4,500,000
Wasl Saad Mohammed Al Ahmady	1.59%	3,500,000
Jamal Ibrahim Al Jassim & Partners Co	0.91%	2,000,000
Sultan Saleh Abdul Aziz Al Rajhi	0.91%	2,000,000
Ali Hussain Mohammed Al Namer	0.68%	1,500,000
Gassan Abdullah Ali Al Namer	0.45%	1,000,000
Mohammed Hussain Mohammed Al Namer	0.45%	1,000,000
Abdullatef Ahmed Hassan Al Namer	0.45%	1,000,000
Hassan Mohammed Abdullah Al Namer	0.45%	1,000,000
Mohafaz Trading Company	0.45%	1,000,000
	<u>100%</u>	<u>220,000,000</u>

32. COMPARATIVE FIGURES

Certain figures of 2017 have been reclassified to conform to the presentation in the current year.

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by Board of Directors on 31 March 2019G.