ITQAN CAPITAL
(A closed Saudi Joint Stock Company)

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

ITQAN CAPITAL
(A closed Saudi Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Independent auditor's report to the shareholders of Itqan Capital

Report on the audit of the financial statements

Our opinion

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

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Independent auditor's report to the shareholders of Itqan Capital (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

PricewaterhouseCoopers

Mufaddal Ali
License Number 447

PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

March 20, 2019

ITQAN CAPITAL
(A closed Saudi Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2018	As at 31 December 2017	As at 1 January 2017
Assets				
Non-current assets				
Property and equipment	7	**3,957,914**	10,488,805	8,153,357
Investment properties	9	**7,280,366**	3,030,202	5,696,072
Financial assets at fair value through other comprehensive income	8.2	**2,223,158**	2,325,398	3,090,157
Financial assets at fair value through profit or loss	8.1	**51,293,923**	61,587,359	67,398,963
Total non-current assets		**64,755,361**	77,431,764	84,338,549
Current assets				
Financial assets at fair value through profit or loss	8.1	**6,899,965**	16,003,196	25,745,551
Prepayments and other assets	10	**9,375,626**	9,637,044	9,562,086
Cash and cash equivalents	11	**1,569,138**	1,891,404	1,462,987
Total current assets		**17,844,729**	27,531,644	36,770,624
Total assets		**82,600,090**	104,963,408	121,109,173
Shareholders' equity and liabilities				
Shareholders' equity				
Share capital	12	**111,229,140**	173,417,900	173,417,900
Other reserve		**(103,267)**	(1,027)	3,420
Accumulated losses		**(34,002,745)**	(73,332,974)	(59,140,097)
Total shareholders' equity		**77,123,128**	100,083,899	114,281,223
Liabilities				
Non-current liabilities				
Employee benefit obligations	14	**743,549**	670,830	1,659,223
Current liabilities				
Trade and other payables	15	**4,332,484**	3,587,926	4,369,205
Tax and zakat liabilities	16	**400,929**	620,753	799,522
Total current liabilities		**4,733,413**	4,208,679	5,168,727
Total liabilities		**5,476,962**	4,879,509	6,827,950
Total shareholders' equity and liabilities		**82,600,090**	104,963,408	121,109,173

The accompanying notes form an integral part of these financial statements.

ITQAN CAPITAL
(A closed Saudi Joint Stock Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2018	2017
Revenue			
Income from services	5	**2,010,715**	1,965,923
Income from investment funds		**150,675**	290,274
Dividends income		**1,218,710**	838,886
Net changes in fair value of financial assets at fair value through profit or loss		**(10,097,341)**	(4,229,439)
Other operating income, net		**63,655**	101,928
		(6,653,586)	(1,032,428)
Expenses			
Salaries and wages		**(9,091,543)**	(8,970,694)
Rents		**(313,890)**	(391,857)
Depreciation		**(234,719)**	(331,443)
General and administrative expenses	6	**(3,636,852)**	(3,389,923)
Total operating expenses		**(13,277,004)**	(13,083,917)
Net operating losses		**(19,930,590)**	(14,116,345)
Other income		**36,600**	330,734
Impairment losses on investment properties		**(2,155,890)**	-
Loss before zakat and income tax		**(22,049,880)**	(13,785,611)
Zakat expense		**(424,305)**	(620,717)
Income tax expense		**-**	-
Loss for the year		**(22,474,185)**	(14,406,328)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at fair value through other comprehensive income		**(102,240)**	(4,447)
Items that will not be reclassified to profit or loss			
(Loss) / gain on remeasurements of employee benefits obligations		**(384,346)**	213,451
Other comprehensive (loss) income for the year		**(486,586)**	209,004
Total comprehensive loss for the year		**(22,960,771)**	(14,197,324)
Loss per share			
From loss for the year	23	**(1.93)**	(0.83)
Weighted average number of shares outstanding during the year		**11,641,154**	17,341,790

The accompanying notes form an integral part of these financial statements.

ITQAN CAPITAL
(A closed Saudi Joint Stock Company)
Statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Other reserve – FVOCI financial assets	Accumulated losses	Total
At 1 January 2017	173,417,900	3,420	(59,140,097)	114,281,223
Loss for the year	-	-	(14,406,328)	(14,406,328)
Other comprehensive loss for the year	-	(4,447)	213,451	209,004
Total comprehensive loss for the year	-	(4,447)	(14,192,877)	(14,197,324)
At 31 December 2017	**173,417,900**	**(1,027)**	**(73,332,974)**	**100,083,899**
Loss for the year	-	-	(22,474,185)	(22,474,185)
Other comprehensive loss for the year	-	(102,240)	(384,346)	(486,586)
Total comprehensive loss for the year	-	(102,240)	(22,858,531)	(22,960,771)
Transactions with owners in their capacity as owners:				
Capital reduction	(62,188,760)	-	62,188,760	-
At 31 December 2018	**111,229,140**	**(103,267)**	**(34,002,745)**	**77,123,128**

The accompanying notes form an integral part of these financial statements.

ITQAN CAPITAL
(A closed Saudi Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2018	2017
Cash flow from operating activities			
Loss before zakat and income tax		**(22,049,880)**	(13,785,611)
Adjustments for non-cash items			
Depreciation	7,9	**311,805**	389,621
Current service cost and interest cost of employees' termination benefits	14	**185,503**	172,737
Net changes in fair value of financial assets at fair value through profit or loss	8	**10,097,341**	4,229,439
Impairment losses on investment properties	9	**2,155,890**	-
Changes in working capital			
Prepayments and other assets	10	**261,418**	(74,958)
Trade and other payables	15	**744,558**	(781,279)
Employees' termination benefits paid	14	**(497,130)**	(947,679)
Zakat and income tax paid	16	**(644,129)**	(799,486)
Net cash outflow from operating activities		**(9,434,624)**	(11,597,216)
Cash flow from investing activities			
Purchase of property and equipment	7	**(186,968)**	(59,199)
Investments in financial assets at fair value through profit or loss	8	**(1,100,000)**	(15,943,213)
Proceeds from sale of financial assets at fair value through profit or loss	8	**10,399,326**	27,267,733
Proceeds from sale of financial assets at fair value through other comprehensive income	8	**-**	760,312
Net cash inflow from investing activities		**9,112,358**	12,025,633
Net change in cash and cash equivalents		**(322,266)**	428,417
Cash and cash equivalents at beginning of year		**1,891,404**	1,462,987
Cash and cash equivalents at end of year	11	**1,569,138**	1,891,404
Supplemental non cash flow information			
Capital reduction	12	**(62,188,760)**	-
Change in fair value of financial assets at fair value through other comprehensive income	8	**(102,240)**	(4,447)
Transferred from property and equipment to investment properties	7	**6,483,140**	-
Transferred from investment properties to property and equipment	9	**-**	2,607,692

The accompanying notes form an integral part of these financial statements.

1 General information

Itqan Capital ("the Company") is a Closed Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 4030167335 dated 16 Safar 1428H (corresponding to 6 March 2007) and the Capital Market Authority (CMA) license number 37-07058 according to the decision of the authority number 9-17-2007 dated 21 Rabi Awal 1428H (corresponding to 9 April 2007). The Company was permitted to commence operation on 23 Rabi Thani 1429H (corresponding to 29 April 2008). The Company is located in Jeddah, Al-Shati District, Corniche Road, P.O.Box 8021 Postal code 21482.

The objectives of the Company are as follows:

- Establishing/managing of investment funds/portfolios.
- Arranging services.
- Custody services for the administrative arrangements and procedures related to the investment funds and portfolio management.
- Acting as principal.
- Providing consultancy on securities.

All investment products provided by the Company are in accordance with the Islamic Shari'a and certified by the Company's Shari'a consultant.

The financial statements have been approved by the Board of Directors on 20 March 2019 (corresponding to 13 Rajab 1440H)

2 Summary of significant accounting policies

2.1 Basis of preparation

(a) Statement of compliance

These financial statements of the Company have been prepared in compliance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia (“IFRS”) and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (“SOCPA”).

(b) First time adoption of IFRS

For all periods up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with local generally accepted accounting principles as issued by SOCPA (“previous GAAP”). These are the first annual financial statements for the year ended 31 December 2018 in accordance with IFRS and other standards and pronouncements issued by SOCPA.

In preparing the financial statements, the Company’s opening statement of financial position was prepared as at 1 January 2017 which is the Company’s date of transition to IFRS, in compliance with IFRS 1 “First time adoption of International Financial Reporting Standards” (“IFRS 1”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. Explanations of how the transition to IFRS has affected the reported amounts of statement of financial position, statements of comprehensive income, changes in equity and cash flows of the Company are provided in Note 4.

(c) Accounting convention / Basis of measurement

These financial statements are prepared under the historical cost convention except for the measurement of financial asset at fair value through profit or loss which are measured at fair value as explained in the relevant accounting policies.

(d) New and amended standards adopted by the Company

(i) IFRS 15 - Revenue from contracts with customers

The Company has adopted IFRS 15 using the full retrospective method with the effect of applying this standard recognized at the date of transition to IFRS (i.e. 1 January 2017). The application of IFRS 15 does not have any significant impact on the financial statements of the Company.

(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(ii) IFRS 9 - Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Company has adopted IFRS 9 with the effect of applying this standard recognized at the date of initial application (i.e. 1 January 2018). The Company has restated the comparative information for prior periods with respect to the classification and measurement (including impairment) requirements, as part of IFRS adoption. However, the adoption of IFRS 9 did not have any significant impact on the measurement and recognition of the financial instruments on the financial statements except for the change in the classification of the financial instruments as listed below and in Note 4.

The following table shows changes in classification and measurement in accordance with IAS 39 and IFRS 9 for the Company's financial assets and financial liabilities as of 1 January 2018:

	Original classification under IAS 39	**New classification under IFRS 9**	**Original measurement under IAS 39**	**New measurement under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Financial assets						
Investments at fair value through other comprehensive income	Available for sale	Financial assets at fair value through other comprehensive income	Available for sale	Fair value through other comprehensive income	2,325,398	2,325,398
Investments at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	77,590,555	77,590,555
Other receivables	Loans and receivables	Financial assets at amortized cost	Amortized cost	Amortized cost	9,421,990	9,421,990
Cash and cash equivalen	Loans and receivables	Financial assets at amortized cost	Amortized cost	Amortized cost	1,891,404	1,891,404
Financial liabilities						
Trade and other payables	Other financial liabilities at amortized cost	Financial liabilities at amortized cost	Amortized cost	Amortized cost	3,587,926	3,587,926

<u>Impact of the new impairment model</u>

The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 has not resulted in a material difference to impairment allowance. The accounting policies relating to revenue from contracts with customers and classification and measurement of financial assets and financial liabilities, impairment of financial assets are disclosed in the notes below

(e) Standards and interpretations issued but not yet applied by the Company

The following are the new standards and interpretations, which are either not yet effective or early adopted up to the date of issuance of the Company's financial statements or applicable in preparing the financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 16 – Leases

Under IFRS 16, a lessee is required to:

- Recognize all right-of-use assets and lease liabilities, with the exception of short term (under twelve months) and low value leases, on the statement of financial position. The liability is initially measured at the present value of future lease payments for the lease term. This includes variable lease payments that depend on an index or rate but excludes other variable lease payments. The right-of-use (RoU) assets reflects the lease liability, initial direct cost, any lease payments made before the commencement date of the lease, less any lease incentives and, where applicable, provisions for dismantling and restoration.
- Recognize the depreciation of the right-of-use assets and interest on lease liabilities in the statement of profit or loss over the lease term and
- separate the total amount of cash paid into a principal portion (presented within financing activities) and an interest portion (which the Company presents in operating activities) in the statement of cash flows.

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

The Company intends to apply the standard from its mandatory adoption date of 1 January 2019. The Company has not yet determined the expected IFRS 16 implementation impact on assets, liabilities, and equity with sufficient certainty to disclose amounts at this stage as the impact assessment is in process.

At the end of 2018, the following main policy choices have been made and form the basis for the Company's IFRS 16 implementation and application work:

<u>IFRS 16 transition choices:</u>

- IFRS 16 will be implemented with the cumulative effect of initially recognizing the standard as an adjustment to the opening retained earnings at the date of initial application, and without restatement of prior periods' reported figures (the "modified retrospective method").
- Contracts already classified either as leases under IAS 17 or as non-lease service arrangements will maintain their respective classifications upon the implementation of IFRS 16.
- Leases with a less than 12 months remaining lease term at year-end 2018 will not be reflected as leases under IFRS 16.
- RoU assets will be for most contracts initially reflected at an amount equal to the corresponding lease liability.
- Short term leases (less than 12 months) and leases of low value assets will not be reflected in the statement of financial position, but will be expensed as incurred.
- Non-lease components within lease contracts will be accounted for separately for all underlying classes of assets, and reflected in the relevant expense category as incurred.

There are no other relevant IFRS or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

2.2 Revenue

Revenue is income arising in the course of the Company's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised, when (or as) the Company satisfies the performance obligations as specified in the contract with the customer (buyer), when the seller has transferred to the customer control over the promised goods and services, either:

- at a point in time or
- over a time basis equivalent to the stage of completion of the service.

2 Summary of significant accounting policies (continued)

2.2 Revenue (continued)

Revenue from rendering of services

Revenue from services is recognized in the accounting period in which the services are rendered. Revenue is recognized when the performance obligation is satisfied i.e. upon receiving the completion certificate from the customer.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a product or services to a customer and when the specific criteria have been met for each of the Company's activities. The Company bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency of the entity.

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented in the profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/ (losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

2.4 Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the asset or assets subject to the lease arrangement. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty, net of anticipated rental income (if any), is recognised as an expense in the period in which termination takes place

2.5 Zakat and income tax

The Company is subject to zakat and income tax in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Zakat, for the Company, is calculated based on higher of approximate zakat base and adjusted profit and charged to profit or loss. Income tax on the share of the adjusted profit related to the foreign shareholders in the subsidiaries, is charged to profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

2 Summary of significant accounting policies (continued)

2.5 Zakat and income tax (continued)

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.6 Financial income

Financial income is measured using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset or a shorter period, where appropriate, to the net carrying amount of the financial asset.

2.7 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the 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 Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight line basis over the estimated useful lives of the assets. Land is not depreciated.

Depreciation is charged to the statement of profit or loss over the following estimated economic useful lives:

	Years
• Equipment	5 years
• Computers and software	3 – 6 years
• Furniture and fixtures	3 – 10 years
• Motor vehicles	4 years
• Building	33 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. Major spare parts qualify for recognition as property and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

2 Summary of significant accounting policies (continued)

2.8 Financial instruments

(a) Financial assets

(i) Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(i) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company uses a provision matrix in the calculation of the expected credit losses on financial assets to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering probability of default and loss given default which were derived from historical data of the Company and are adjusted to reflect the expected future outcome which includes macro-economic factors such as inflation and gross domestic product growth rate.

(b) Financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company classifies non-derivative financial liabilities as 'financial liabilities at amortized cost'. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the EIR method.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs

Offseting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets (other than goodwill and intangible assets with indefinite useful lives, if any which are tested at least annually for impairment), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs of disposal and value in use. The fair value less costs of disposal is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is arrived based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre- tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of goodwill, if any, allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

2.10 Trade receivables

Trade receivables are amounts due from customers for products sold and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Subsequent recoveries of amount previously written-off are credited to profit or loss against "Selling and distribution expenses".

Trade receivables are amounts due from customers for the services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Subsequent recoveries of amount previously written-off are credited to profit or loss against "General and administrative expenses".

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other highly liquid investments with original maturities of three months or less from the date of acquisition.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.12 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.13 Trade payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.14 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.15 Employee benefit obligations

Short term employee benefits

Short term employee benefits are expensed as the related services are provided. A liability is recognised for the amount expected to be paid if the Company 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.

Post-employment benefits

Defined benefit plans

The Company operates a single post-employment benefit scheme of defined benefit plan, driven by the Labor Laws and Workman Laws of the Kingdom of Saudi Arabia, which is based on most recent salary and number of service years. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labor Law of Saudi Arabia.

The Company's obligation under employee end of service benefit plan is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurements of the defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

2.16 Investment properties

Investment properties comprise of property held for capital appreciation, long-term rental yields or both, and are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties also include property that is being constructed or developed for future use as investment properties. In addition, land, if any held for undetermined use is classified as investment properties and is not depreciated. When the development of investment properties commences, it is classified as "Assets under construction" until development is complete, at which time it is transferred to the respective category, and depreciated using straight-line method at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives of 33 years.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of profit or loss as and when incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognized and presented separately within other income (expenses) - net in the statement of profit or loss.

3 Critical accounting estimates and judgments

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements was prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Information about estimates and judgments made in applying accounting policies that could potentially have an effect on the amounts recognised in the financial statements, are discussed below:

(a) *Useful lives and residual values of property and equipment*

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

(b) *Employee benefits – defined benefit plan*

Employee benefits represent the employee termination benefits. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The cost of post-employment defined benefits are the present value of the related obligation, as determined using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates or high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have a term approximating the terms of the related obligation.

Where there is no deep market in such bonds, then market rates on government bonds are used or the rates from international bond markets are used which are adjusted for the country risk premium. Since there is no deep corporate bonds or government bonds in Saudi Arabia, the discount rate was selected using the yield available on Citi Pension Liability Index (CPLI) of the duration equal to the duration of the liability and adjusted for the country risk premium. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and 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 sensitive to changes in these assumptions.

All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high quality bonds obligation, as designated by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. Please see Note 14 for assumptions used.

(All amounts in Saudi Riyals unless otherwise stated)

4 First time adoption of IFRS

These financial statements for the year ended 31 December 2018 are the first financial statements the Company has prepared in compliance with International Financial Reporting Standards ("IFRS") and other pronouncements an issued by SOCPA in the Kingdom of Saudi Arabia under the guidelines provided in IFRS "First time adoption of International Financial Reporting Standards". For periods up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with the previous GAAP.

Accordingly, the Company has prepared financial statements that comply with IFRS as endorsed by SOCPA as at and for the year ended 31 December 2018, together with the comparative statement of financial position as at and for the year ended 31 December 2017. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2017, which is the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its previous GAAP financial statements.

4.1 Reconciliation of equity as at 1 January 2017 (date of transition to IFRS)

	Balances as per previous GAAP as at 1 January 2017	Impact of transition to IFRS	Balances as per IFRS as at 1 January 2017
Assets			
Non-current assets			
Property and equipment	8,153,357	-	8,153,357
Investment properties	5,696,072	-	5,696,072
Investments available for sale	3,090,157	(3,090,157)	-
Financial assets at fair value through other comprehensive income	-	3,090,157	3,090,157
Financial assets at fair value through profit or loss	67,398,963	-	67,398,963
Total non-current assets	84,338,549	-	84,338,549
Current assets			
Financial assets at fair value through profit or loss	25,745,551	-	25,745,551
Prepayments and other assets	9,562,086	-	9,562,086
Cash and cash equivalents	1,462,987	-	1,462,987
Total current assets	36,770,624	-	36,770,624
Total assets	121,109,173	-	121,109,173
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	173,417,900	-	173,417,900
Other reserve	(149,150)	152,570	3,420
Accumulated losses	(59,150,822)	10,725	(59,140,097)
Total shareholders' equity	114,117,928	163,295	114,281,223
Liabilities			
Non-current liabilities			
Employee benefit obligations	1,822,518	(163,295)	1,659,223
Current liabilities			
Trade and other payables	4,369,205	-	4,369,205
Tax and zakat liabilities	799,522	-	799,522
Total current liabilities	5,168,727	-	5,168,727
Total liabilities	6,991,245	(163,295)	6,827,950
Total shareholders' equity and liabilities	121,109,173	-	121,109,173

(All amounts in Saudi Riyals unless otherwise stated)

4 First time adoption of IFRS (continued)

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

	Balances as per previous GAAP as at 31 December 2017	Impact of transition to IFRS	Balances as per IFRS as at 31 December 2017
Assets			
Non-current assets			
Property and equipment	10,488,805	-	10,488,805
Investment properties	3,030,202	-	3,030,202
Investments available for sale	2,325,398	(2,325,398)	-
Financial assets at fair value through other comprehensive income	-	2,325,398	2,325,398
Financial assets at fair value through profit or loss	61,587,359	-	61,587,359
Total non-current assets	77,431,764	-	77,431,764
Current assets			
Financial assets at fair value through profit or loss	16,003,196	-	16,003,196
Prepayments and other assets	9,637,044	-	9,637,044
Cash and cash equivalents	1,891,404	-	1,891,404
Total current assets	27,531,644	-	27,531,644
Total assets	104,963,408	-	104,963,408
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	173,417,900	-	173,417,900
Other reserve	(1,027)	-	(1,027)
Accumulated losses	(73,767,562)	434,588	(73,332,974)
Total shareholders' equity	99,649,311	434,588	100,083,899
Liabilities			
Non-current liabilities			
Employee benefit obligations	1,105,418	(434,588)	670,830
Current liabilities			
Trade and other payables	3,587,926	-	3,587,926
Tax and zakat liabilities	620,753	-	620,753
Total current liabilities	4,208,679	-	4,208,679
Total liabilities	5,314,097	(434,588)	4,879,509
Total shareholders' equity and liabilities	104,963,408	-	104,963,408

(All amounts in Saudi Riyals unless otherwise stated)

4 First time adoption of IFRS (continued)

4.3 Impact of IFRS transition on the statement of comprehensive income for the year ended 31 December 2017

	Amounts as per previous GAAP for the year ended 31 December 2017	Impact of transition to IFRS	Amounts as per IFRS for the year ended 31 December 2017
Income from services	1,965,923	-	1,965,923
Income from investment funds	528,273	-	528,274
Dividends income	838,886	-	838,886
Net change in fair value of financial assets at fair value through profit or loss	(4,620,008)	152,570	(4,467,439)
Other operating income, net	101,928	-	101,928
Operating losses, net	(1,184,998)	152,570	(1,032,428)
Expenses			
Salaries and wages	(9,028,536)	57,842	(8,970,694)
Rents	(391,857)	-	(391,857)
Depreciation	(331,443)	-	(331,443)
General and administrative expenses	(3,389,923)	-	(3,389,923)
Total operating expenses	(13,141,759)	57,842	(13,083,917)
Other income	330,734	-	330,734
Impairment losses on investment properties	-	-	-
Loss before zakat and income tax	(13,996,023)	210,412	(13,785,611)
Zakat expense	-	(620,717)	(620,717)
income tax expense	-	-	-
Loss for the year	(13,996,023)	(410,305)	(14,406,328)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at fair value through other comprehensive income	-	(4,447)	(4,447)
Items that will not be reclassified to profit or loss			
(Loss) / gain on remeasurements of employee benefits obligations	-	213,451	213,451
Other comprehensive income for the year	-	209,004	209,004
Total comprehensive loss for the year	(13,996,023)	(201,301)	(14,197,324)

(All amounts in Saudi Riyals unless otherwise stated)

4 First time adoption of IFRS (continued)

4.4 Impact of IFRS transition on the statement of cash flows for the year ended 31 December 2017

The transition from SOCPA to IFRS has not had a material impact on the statement of cash flows.

4.5 Notes to the reconciliations

(a) Employee benefit obligations

Under previous GAAP, the Company recognized costs related to its employees' defined benefits as current value of vested benefits to which the employee is entitled whereas under IFRS, such obligation is recognised by discounting the future expected payments using projected unit credit method based on actuarial assumptions. The change of Saudi Riyals 0.2 million at the date of transition between the current provision and provision based on actuarial valuation is recognised in the opening retained earnings.

In the subsequent periods presented, current services and interest costs are recognised in the profit or loss whereas actuarial gains / losses are recognised in the other comprehensive income.

(b) Available for sale investments

Under previous GAAP, the company classified certain financial assets under available for sale category, on 1 January 2018 along with IFRS adoption the company adopted IFRS 9 with restating all comparative information for prior periods with respect to the classification and measurement as part of IFRS conversion. This resulted in classification of financial assets that were under available for sale category to financial asset at fair value through other comprehensive income category amounting to Saudi Riyals 3.1 Million, Saudi Riyals 2.3 Million as at 1 January 2017 and 31 December 2018, respectively.

(c) Reclassifications

Under previous GAAP, the Company recognized zakat and income tax charge for the year in the statements of shareholders' equity whereas under IFRS, such expense is recognized on the face of the profit or loss and other comprehensive income statements.

Under previous GAAP, the Company recognized unrealized changes in fair value of available for sale investments in the statement of shareholders' equity whereas under IFRS, such change is recognized as part of the comprehensive income for the year.

5 Revenue

The following are the details of the income from services during the year ended 31 December 2018 and 2017:

	Asset management	**Business development**	**Custodial services**	**2018**
Timing of revenue recognition:				
Over time	1,479,060	150,588	381,067	2,010,715

	Asset management	**Business development**	**Custodial services**	**2017**
Timing of revenue recognition:				
Over time	1,345,737	149,526	470,660	1,965,923

6 General and administrative expenses

	2018	**2017**
Consultancy and professional fees	**1,685,312**	1,539,597
Maintenance	**126,398**	155,134
Subscription fees	**302,618**	344,687
Publicity, advertising and public relations	**10,515**	178,066
Other	**1,512,009**	1,172,439
	3,636,852	3,389,923

(All amounts in Saudi Riyals unless otherwise stated)

7 Property and equipment

	Building	Equipment	Computers and software	Furniture and fixtures	Motor vehicles	Building under construction	Total
At 1 January 2017							
Cost	-	16,699	2,056,057	185,310	197,700	7,706,749	10,162,515
Accumulated depreciation	-	-	(1,710,072)	(101,386)	(197,700)	-	(2,009,158)
Net book value	**-**	**16,699**	**345,985**	**83,924**	**-**	**7,706,749**	**8,153,357**
Year ended 31 December 2017							
Opening net book value	-	16,699	345,985	83,924	-	7,706,749	8,153,357
Additions	-	6,899	29,806	12,020	-	10,474	59,199
Transferred from investment in real estate	2,607,692	-	-	-	-	-	2,607,692
Transfers	1,234,083	-	-	-	-	(1,234,083)	-
Depreciation charge	(115,253)	(4,434)	(194,284)	(17,472)	-	-	(331,443)
Closing net book value	3,726,522	19,164	181,507	78,472	-	6,483,140	10,488,805
At 31 December 2017							
Cost	3,841,775	23,598	2,085,863	197,330	197,700	6,483,140	12,829,406
Accumulated depreciation	(115,253)	(4,434)	(1,904,356)	(118,858)	(197,700)	-	(2,340,601)
Net book value	**3,726,522**	**19,164**	**181,507**	**78,472**	**-**	**6,483,140**	**10,488,805**

(All amounts in Saudi Riyals unless otherwise stated)

7 Property and equipment (continued)

	Building	Equipment	Computers and software	Furniture and fixtures	Motor vehicles	Building under construction	Total
At 1 January 2018							
Cost	3,841,775	23,598	2,085,863	197,330	197,700	6,483,140	12,829,406
Accumulated depreciation	(115,253)	(4,434)	(1,904,356)	(118,858)	(197,700)	-	(2,340,601)
Net book value	**3,726,522**	**19,164**	**181,507**	**78,472**	**-**	**6,483,140**	**10,488,805**
Year ended 31 December 2018							
Opening net book value	3,726,522	19,164	181,507	78,472	-	6,483,140	10,488,805
Additions	-	29,357	67,980	89,631	-	-	186,968
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	(6,483,140)	(6,483,140)
Accumulated depreciation on disposal	-	-	-	-	-	-	-
Depreciation charge	(115,253)	(6,952)	(85,618)	(26,896)	-	-	(234,719)
Closing net book value	3,611,269	41,569	163,869	141,207	-	-	3,957,914
At 31 December 2018							
Cost	3,841,775	52,955	2,153,843	286,961	197,700	-	6,533,234
Accumulated depreciation	(230,506)	(11,386)	(1,989,974)	(145,754)	(197,700)	-	(2,575,320)
Net book value	**3,611,269**	**41,569**	**163,869**	**141,207**	**-**	**-**	**3,957,914**

(All amounts in Saudi Riyals unless otherwise stated)

7 Property and equipment (continued)

Depreciation is calculated on straight line basis over the following estimated useful lives of the assets:

	Years
• Equipment	5 years
• Computers and software	3 – 6 years
• Furniture and fixtures	3 – 10 years
• Motor vehicles	4 years
• Building	33 years

8 Financial assets

	Note	31 December 2018	31 December 2017	1 January 2017
Financial assets at fair value through profit or loss, non-current	8.1	51,293,923	61,587,359	67,398,963
Financial assets at fair value through profit or loss, current	8.1	6,899,965	16,003,196	25,745,551
Financial assets at fair value through other comprehensive income	8.2	2,223,158	2,325,398	3,090,157
		60,417,046	**79,915,953**	**96,234,671**

Movement in financial assets was as following:

2018	**Financial assets at FVPL, non-current**	**Financial assets at FVPL, current**	**Financial assets at FVOCI**
Balance as at 1 January 2018	61,587,359	16,003,196	2,325,398
Addition	-	1,100,000	-
Disposal	-	(10,399,326)	-
Change in fair value through other comprehensive income	-	-	(102,240)
Change in fair value through profit or loss	(10,293,436)	196,095	-
Balance as at 1 January 2018	**51,293,923**	**6,899,965**	**2,223,158**

2017	**Financial assets at FVPL, non-current**	**Financial assets at FVPL, current**	**Financial assets at FVOCI**
Balance as at 1 January 2017	67,398,963	25,745,551	3,090,157
Addition	-	15,943,213	-
Disposal	(1,344,166)	(25,923,567)	(760,312)
Change in fair value through other comprehensive income	-	-	(4,447)
Change in fair value through profit or loss	(4,467,438)	237,999	-
Balance as at 1 January 2018	61,587,359	16,003,196	2,325,398

The Company classifies the following financial assets at fair value through profit or loss:

(i) debt investments that do not qualify for measurement at either amortised cost or at fair value through other comprehensive income
(ii) equity investments that are held for trading, and
(iii) equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

(All amounts in Saudi Riyals unless otherwise stated)

8 Financial assets (continued)

8.1 Financial assets at fair value through profit or loss (FVPL)

Financial assets mandatorily measured at fair value through profit or loss include the following classes of financial assets:

	31 December 2018	31 December 2017	1 January 2017
Non-current assets			
Investment in real estate funds	**51,263,923**	61,557,359	67,101,963
Other investments	**30,000**	30,000	297,000
	51,293,923	**61,587,359**	**67,398,963**
Current assets			
Investments in money market funds	**6,899,965**	16,003,196	25,745,551
	58,193,888	**77,590,555**	93,144,514

The entity is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments of Saudi Riyals 2.2 million (2017: Saudi Riyals 2.3 million).

8.2 Financial assets at fair value through other comprehensive income (OCI)

Financial assets at fair value through other comprehensive income comprise:

(i) equity securities which are not held for trading, and for which the company has made an irrevocable election at initial recognition to recognise changes in fair value through OCI rather than profit or loss as these are strategic investments and the company considered this to be more relevant, and

(ii) debt securities where the contractual cash flows are solely principal and interest and the objective of the company's business model is achieved both by collecting contractual cash flows and selling financial assets.

(iii) equity investments at fair value through other comprehensive income

Equity investments at fair value through other comprehensive income (FVOCI) comprise the following individual investments:

	31 December 2018	31 December 2017	1 January 2017
Non-current assets			
Listed sukuk	**2,223,158**	2,325,398	3,090,157
	2,223,158	2,325,398	3,090,157

On disposal of these debt investments, any related balance within the FVOCI reserve will reclassified to profit or loss.

Amounts recognised in other comprehensive income

During the year, the following losses were recognised in other comprehensive income.

	2018	2017
Changes in fair value of FVOCI financial assets	**(102,240)**	(4,447)
	(102,240)	(4,447)

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment properties

	Buildings and residential houses	Total
At 1 January 2018		
Cost	3,193,748	**3,193,748**
Accumulated depreciation	(163,546)	**(163,546)**
Net book value	3,030,202	**3,030,202**
Year ended 31 December 2018		
Opening net book value	3,030,202	**3,030,202**
Transfers from property and equipment (Note 7)	6,483,140	**6,483,140**
Impairment loss	(2,155,890)	**(2,155,890)**
Depreciation charge	(77,086)	**(77,086)**
Closing net book value	7,280,366	**7,280,366**
At 31 December 2018		
Cost	7,520,998	**7,520,998**
Accumulated depreciation	(240,632)	**(240,632)**
Net book value	7,280,366	**7,280,366**
At 1 January 2017		
Cost	5,801,440	**5,801,440**
Accumulated depreciation	(105,368)	**(105,368)**
Net book value	5,696,072	**5,696,072**
Year ended 31 December 2017		
Opening net book value	5,696,072	**5,696,072**
Transfers to property and equipment (Note 7)	(2,607,692)	**(2,607,692)**
Depreciation charge	(58,178)	**(58,178)**
Closing net book value	3,030,202	**3,030,202**
At 31 December 2017		
Cost	3,193,748	**3,193,748**
Accumulated depreciation	(163,546)	**(163,546)**
Net book value	3,030,202	**3,030,202**

Direct operating expenses in respect of investment properties generating rental income for the year amounts to Saudi Riyals 0.03 million (2017: Saudi Riyals 0.03 million).

No assets related to investment properties were pledged as security by the company.

As at 31 December 2018 the fair value of investment properties were estimated value to be Saudi Riyals 7,280,367. The measurement of the fair value was carried forward by the following real estate valuers:

<u>Valuer name</u>	<u>Accreditation</u>
Value Expert Company	Member of TAQEEM
Remax Partners	Member of TAQEEM
First Avenue	Member of TAQEEM

(All amounts in Saudi Riyals unless otherwise stated)

10 Prepayments and other assets

	Note	31 December 2018	31 December 2017	1 January 2017
Amounts due from related parties	17	**5,204,062**	5,800,220	5,645,333
Letter of guarantee deposit		**1,820,168**	1,820,168	1,820,168
Debtors		**1,000,000**	1,000,000	473,334
Employees receivables		**340,472**	474,128	40,884
Prepaid expenses		**442,875**	215,054	334,734
Accrued income		**171,924**	20,907	28,905
Other assets		**396,125**	306,567	1,218,728
		9,375,626	9,637,044	9,562,086

11 Cash and cash equivalents

	31 December 2018	31 December 2017	1 January 2017
Cash at bank	**1,569,138**	1,891,404	1,462,987

12 Share capital

On October 27, 2014 (corresponding to 3 Muharam 1436H), the shareholders of the Company resolved in the Extraordinary General Assembly meeting to increase the Company's capital by capitalizing the subordinated loan amount totaling SR 100,000,000 through the entry of Albaraka Banking Group (A Bahraini Joint Stock Company) as a new shareholder in the Company's capital by the full amount of the subordinated loan. This has resulted in a change of the shareholders and their percentage of ownership after obtaining CMA's approval. All original shareholders waived their priority subscription rights in the new shares issued at the time of capitalizing the subordinated loan for the capital. The issued and paid up capital after the increase is SR 173,417,900.

During the year ended 31 December 2017, the Board of Directors of the Company proposed to decrease the Company's share capital from SR 173,417,900 to SR 111,229,140 via the resolution dated June 3, 2017 (corresponding to 08 Ramadan 1439H). In 2018 the Company's shareholders, in their extraordinary general meeting dated January 31, 2018 (corresponding to 14 Jumada I 1439 H) approved the reduction in the share capital.

The issued paid in capital for the year ended 31 December 2018 and 2017 as follows:

Shareholder name	Nationality	Ownership percentage %	2018	Ownership percentage %	2017
Al Baraka Banking Group B.S.C.	Kingdom of Bahrain	57.6642	**64,139,370**	57.6642	100,000,000
Al Baraka Islamic Bank—Bahrain	Kingdom of Bahrain	25.4015	**28,253,860**	25.4015	44,050,740
Aseer For Trading, Tourism, Industrial, Agricultural, Real Estate & Contracting Company	Kingdom of Saudi Arabia	8.4672	**9,417,950**	8.4672	14,683,580
Sheikh Saleh Abdullah Kamel	Kingdom of Saudi Arabia	7.1971	**8,005,260**	6.7737	11,746,860
Al Baraka Investment & Development Co.	Kingdom of Saudi Arabia	0.4234	**470,900**	0.4234	734,180
Dallah Albaraka Holding Co. (Saudi Arabia)	Kingdom of Saudi Arabia	0.4234	**470,900**	0.4234	734,180
Mr. Mohey Aldeen Saleh Abdullah Kamel	Kingdom of Saudi Arabia	-	**-**	0.4234	734,180
Mr. Abdullah Mohammed Abdo Yamani	Kingdom of Saudi Arabia	0.4234	**470,900**	0.4234	734,180
			111,229,140		173,417,900

(All amounts in Saudi Riyals unless otherwise stated)

13 Statutory reserve

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit for the year to a statutory reserve until it equals to at least 30% (previously 50%) of its share capital. As the Company has incurred a loss for the year, no transfer was made to the statutory reserve. The reserve currently is not available for distribution to the shareholders of the Company.

14 Employee benefit obligations

14.1 General description of the plan

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

	31 December 2018	**31 December 2017**	**1 January 2017**
1-Jan	**670,830**	1,659,223	1,852,127
Current service cost	**169,246**	135,753	507,358
Interest cost	**16,257**	36,984	11,049
Actuarial (gains) losses	**384,346**	(213,451)	(163,295)
Benefit paid	**(497,130)**	(947,679)	(548,016)
31-Dec	**743,549**	670,830	1,659,223

14.2 Amounts recognised in the statement of comprehensive income

The amounts recognised in the statement of comprehensive income related to employee benefit obligations are as follows:

	2018	2017
Current service cost	**169,246**	135,753
Interest expense	**16,257**	36,984
Total amount recognised in profit or loss	**185,503**	172,737
Remeasurements		
Gain from change in financial assumptions	**(16,257)**	-
Experience losses	**400,603**	(213,451)
Total amount recognised in other comprehensive income	**384,346**	(213,451)

14.3 Key actuarial assumptions

	2018	**2017**
Discount rate	**3.85%**	3.12%
Salary growth rate	**2.85%**	2.85%
Mortality rate	**0.11% - 0.25%**	0.11% - 0.25%

14. 4 Sensitivity analysis for actuarial assumptions

	31 December 2018		**31 December 2017**	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(37,265)**	**6,223**	(20,745)	21,262
Future salary growth (1% movement)	**6,223**	**(37,664)**	21,105	(20,991)
Future mortality (10% movement)	**(16,187)**	**(16,328)**	(413)	(390)

(All amounts in Saudi Riyals unless otherwise stated)

14 Employee benefit obligations (continued)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

15 Trade and other payables

	31 December 2018	31 December 2017	1 January 2017
Employees' bonus and salaries	**-**	-	28,908
Accrued vacation	**333,614**	210,615	339,680
Claims and other payables	**3,998,870**	3,377,311	4,000,617
	4,332,484	3,587,926	4,369,205

16 Income tax and zakat matters

16.1 Zakat base

The significant components of the Company's zakat base for the years ended 31 December are comprised of the following:

	2018	2017
Capital	**173,417,900**	173,417,900
Provisions	**3,870,961**	3,777,456
Adjusted net loss for the year	**(9,763,673)**	(8,526,394)
Loss on remeasurements of employee benefits obligation	**(384,346)**	-
Property and equipment	**(3,958,471)**	(4,344,960)
Buildings under construction	**-**	(6,483,140)
Investments, amended	**(70,827,520)**	(69,237,569)
Accumulated losses	**(73,332,974)**	(59,150,822)
Approximate zakat base	**19,021,877**	29,452,471
Saudi shareholders’ share of zakat base- 84.3057%	**16,036,526**	24,830,112
Zakat at 2.5%	**400,913**	620,753
Adjustments for zakat for prior years	**23,392**	(36)
Zakat expense for the year	**424,305**	620,717

16.2 Income Tax

Tax was not charged to the foreign shareholders for the year ended 31 December 2018 and 31 December 2017, since the Company has incurred net loss for this year.

(All amounts in Saudi Riyals unless otherwise stated)

16 Income tax and zakat matters (continued)

16.3 Tax and zakat liability

	Income tax	Zakat	Total
1 January 2018	-	620,753	**620,753**
Provision for the year	-	424,305	**424,305**
Payment for the year	-	(644,129)	**(644,129)**
31 December 2018	**-**	**400,929**	**400,929**
1 January 2017	-	799,522	799,522
Provision for the year	-	620,717	620,717
Payment for the year	-	(799,486)	(799,486)
31 December 2017	-	620,753	620,753

16.4 Status of certificates and final assessments

The Company filed its Zakat return for the period ended 31 December 2008. GAZT issued the Zakat assessment for the period ended 31 December 2008 and claimed additional Zakat differences of Saudi Riyals 1,855,916. The Company objected against the said assessment which was transferred to the Preliminary Objection Committee (POC) for review and decision. The POC issued its decision which resulted in reduction of the payable Zakat to the amount of Saudi Riyals 1,820,168. The Company filed an appeal against the POC's decision with the Higher Appeal Committee (HAC). The HAC issued its decision which rejected the Company's appeal. The Company filed an appeal against the said decision with the Board of Grievance (BOG). The BOG issued its decision which supported the HAC's decision. The Company accepted the BOG decision and the case is considered closed.

The Company filed its Zakat and Tax returns for the years ended 31 December 2009 to 2014 and obtained the Zakat and Tax certificate for the said years. The GAZT issued the Zakat and Tax assessment for the said years and claimed Zakat, Tax, delay fine and non-filing penalty of Saudi Riyals 7,346,052. The Company objected against GAZT's assessment. GAZT issued an amended assessment for the said years, which showed a reduction in the Zakat, tax and non-filing penalty of Saudi Riyals 4,942,450 for the said years. The Company objected against the said Zakat and tax assessment, which is still under review by the GAZT as at the date of the financial statements.

The Company filed its Zakat and Tax returns for the year ended 31 December 2015 and 2016 and obtained the restricted Zakat and Tax certificate for the said years. GAZT issued the preliminary Zakat and tax assessment for the year ended 31 December 2015 and claimed additional Zakat differences of Saudi Riyals 2,090,300. The Company objected against the GAZT's assessment. GAZT issued the final Zakat and tax assessment for the years 2015 and 2016, which showed Zakat and withholding tax differences of Saudi Riyals 3,340,557 for the said years. The Company objected against the said Zakat and tax assessment, which is still under review by the GAZT as at the date of the financial statements.

The Company filed its Zakat and Tax return for the year ended 31 December 2017 and obtained the restricted Zakat and Tax certificate for the said year. The GAZT did not issue the final assessment for the said year as at the date of the financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

17 Related party transactions and balances

Related parties comprise the shareholders, directors, associate company, and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

(a) Following are the significant transactions entered into by the Company :

Related party	**Nature of transaction**	**Amount of transaction 2018**	**2017**
Al Tawfeek Development House Co.	Rent - expense	**-**	11,571
Investment funds	Various	**395,450**	505,421
Real Estate Income Fund – I, Real Estate Income Fund – II and Real Estate Income Fund - III	Management fees	**1,505,875**	1,495,263
Board of Directors expenses	Compensation	**109,970**	108,713

(b) Key management personnel compensation:

	2018	**2017**
Salaries and other short-term employee benefits	**3,096,633**	2,612,362
Post-employment benefits	**95,557**	49,704
	3,192,190	2,662,066

Board of directors' fee for the year ended 31 December 2018 was Saudi Riyals 109,970 (2017: Saudi Riyals 108,713).

(c) Outstanding balances arising from sales / purchases of goods and services

(i) Due from related parties

	31 December 2018	**31 December 2017**	**1 January 2017**
Real Estate Income Fund - I	**149,166**	111,940	23,889
Real Estate Income Fund - II	**4,360,445**	4,482,454	4,890,452
Real Estate Income Fund - III	**592,520**	598,607	640,441
Itqan Murabahat & Sukuk Fund	**101,931**	607,219	87,551
Others	**-**	-	3,000
	5,204,062	5,800,220	5,645,333

The Company's rent agreement with Al Tawfeek Development House Co. has expired at 31 March 2017 and was not renewed. Prices and terms of payment with related parties are approved by the management.

(All amounts in Saudi Riyals unless otherwise stated)

18 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company holds various financial instruments in the ordinary course of its activities.

Categories of financial instruments

(a) Financial assets subsequently measured at amortised cost:

	Note	31 December 2018	31 December 2017	1 January 2017
Other receivables		**8,932,752**	9,421,990	9,227,352
Cash and cash equivalents	11	**1,569,138**	1,891,404	1,462,987
		10,501,890	11,313,394	10,690,339

(b) Financial assets at fair value through profit or loss:

	Note	31 December 2018	31 December 2017	1 January 2017
Investment in real estate funds	8.1	**51,263,923**	61,557,359	67,101,963
Investments in money market funds	8.1	**6,899,965**	16,003,196	25,745,551
Other investments	8.1	**30,000**	30,000	297,000
		58,193,888	77,590,555	93,144,514

(c) Financial assets at fair value through other comprehensive income:

	Note	31 December 2018	31 December 2017	1 January 2017
Listed sukuk	8.2	**2,223,158**	2,325,398	3,090,157

(d) Financial liabilities at amortised cost

	Note	31 December 2018	31 December 2017	1 January 2017
Trade and other payables	15	**4,332,484**	3,587,926	4,369,205

The carrying amount of financial assets approximates their fair value. Financial assets are not considered to pose a significant credit risk.

19 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

(All amounts in Saudi Riyals unless otherwise stated)

19 Fair value of financial instruments (continued)

The fair value of listed sukuk and investments in money market fund based on quoted market prices at the end of the reporting period, accordingly these instruments are included in level 1. The fair value of investment in real estate funds is based on the net assets value (NAV) communicated by the fund manager, accordingly these instruments are included in level 2.

The table below presents the financial assets at their fair values as at 31 December 2018 and 2017 based on the fair value hierarchy:

31 December 2018	**Level 1**	**Level 2**	**Total**
Financial assets at fair value through other comprehensive income:			
Listed sukuk	2,223,158	-	2,223,158
	2,223,158	**-**	**2,223,158**
Financial assets at fair value through other profit or loss:			
Investment in real estate funds	-	51,263,923	51,263,923
Investments in money market funds	6,899,965	-	6,899,965
Other investments	-	30,000	30,000
	6,899,965	**51,293,923**	**58,193,888**

31 December 2017	**Level 1**	**Level 2**	**Total**
Financial assets at fair value through other comprehensive income:			
Listed sukuk	2,325,398	-	2,325,398
	2,325,398	-	2,325,398
Financial assets at fair value through other profit or loss:			
Investment in real estate funds	-	61,557,359	61,557,359
Investments in money market funds	16,003,196	-	16,003,196
Other investments	-	30,000	30,000
	16,003,196	61,587,359	77,590,555

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the years ended 31 December 2018 and 2017, there were no transfers into or out of Level 3 fair value measurements and no movements between the levels 1 and 2.

20 Financial risk management

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

(a) Market risk

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

20 Financial risk management (continued)

(i) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are primarily in Saudi Riyals and United States dollars. Since Saudi Riyal is pegged to United States dollars, management of the Company believes that the currency risk for the financial instruments is not significant.

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Management of the Company believes that the Company is not exposed to that risk since there are no financial assets or liabilities bearing variable interest.

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet either at fair value through other comprehensive income (FVOCI) (Note 8) or at fair value through profit or loss (FVPL) (Note 8).

To manage its price risk arising from investments in equity and debt securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company. The Company's equity and debt investments are publicly traded.

Sensitivity

The table below summarises the impact of increases/decreases of these investments on the Company's profit or loss, and other comprehensive income for the year. The analysis is based on the assumption that the instruments had increased or decreased by 10% with all other variables held constant, and that all the Company's equity and debt instruments moved in line with assumed change.

	Impact on P&L		**Impact on OCI**	
	2018	2017	**2018**	2017
Investments in money market funds (10% movement)	**690,957**	1,600,320	**-**	-
Listed sukuk (10% movement)	**-**	-	**222,299**	232,540

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The management continuously monitors the credit exposure towards the customers and makes allowances against those balances considered doubtful of recovery using the expected credit loss model. To mitigate the risk, the Group has developed a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Some of the customers are secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.

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

	Note	**31 December 2018**	**31 December 2017**	**1 January 2017**
Other receivables		**8,932,752**	9,421,990	9,227,352
Cash and cash equivalents	11	**1,569,138**	1,891,404	1,462,987
		10,501,890	11,313,394	10,690,339

(All amounts in Saudi Riyals unless otherwise stated)

21 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below analyses the Company's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Less than 3 months	3 -12 months	Total
2018			
Account payable and accruals	-	4,332,484	4,332,484

	Less than 3 months	3 -12 months	Total
2017			
Account payable and accruals	-	3,587,926	3,587,926

22 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position, less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

	31 December 2018	31 December 2017	1 January 2017
Trade and other payables	**4,332,484**	3,587,926	4,369,205
Total debt	**4,332,484**	3,587,926	4,369,205
Cash and cash equivalents	**1,569,138**	1,891,404	1,462,987
Net debt	**2,763,346**	1,696,522	2,906,218
Share capital	**111,229,140**	173,417,900	173,417,900
Other reserve	**(103,267)**	(1,027)	3,420
Accumulated losses	**(34,002,745)**	(73,332,974)	(59,140,097)
Equity	**77,123,128**	100,083,899	114,281,223
Capital gearing ratio - %	**4%**	2%	3%

(All amounts in Saudi Riyals unless otherwise stated)

21 Regulatory capital requirement and capital adequacy ratio

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

	2018	2017	Change percentage %
Capital base			
Tier I capital	**77,123,128**	100,083,899	-23%
Total	**77,123,128**	100,083,899	-23%
Minimum capital requirement			
Credit risk	**45,150,277**	52,275,719	-14%
Market risk	**44,881**	46,926	-4%
Operation risk	**3,521,414**	3,544,611	-1%
Total	**48,716,572**	55,867,256	-13%
Capital adequacy ratio	**1.58**	1.79	-12%
Surplus	**28,406,556**	44,216,643	-36%

Capital base comprise of:

Tier-I capital

Comprise of paid up capital, accumulated losses, share premium and reserves.

Tier-II capital:

Comprise of perpetual subordinated loan and fixed term subordinated loans with not less than 5 years of original maturity. The minimum capital requirement related to credit risk, market risk and operation risk is calculated based on specific conditions stated in pillar III of the regulations issued by the CMA. The Company's goal of capital management is to comply with the capital requirements approved by the CMA, maintaining the Company's ability to continue its operations on a going concern basis and maintain a sound capital base.

The Company's management monitors the capital adequacy and its deployment of capital on a periodical basis. As per the regulations of the CMA, the Company shall maintain a minimum limit of regulatory capital. Whereas the ratio of the total regulatory capital over risk weighted asset is at or above the minimum required ratio. The Company monitors the capital adequacy by using the ratios specified by the CMA. Based on such ratios, the Company measures the extent of its capital adequacy for the assets and commitments appearing in its financial statements using weighted balances to reveal its relative risk.

22 Loss per share

The Company presents loss per share data for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	31 December 2018	31 December 2017
Loss for the year	**(22,474,185)**	(14,406,328)
Weighted average number of shares	**11,641,154**	17,341,790
Loss per share	**(1.93)**	(0.83)

(All amounts in Saudi Riyals unless otherwise stated)

23 Contingencies and commitments

(i) At 31 December 2018, the Company was contingently liable for bank guarantees issued in the normal course of business amounting to Saudi Riyals 1.8 million (2017: Saudi Riyals 1.8 million).

(ii) Also see Note 16.

(iii) The Company has an operating lease contract for its office space. Future rental commitments under this lease at 31 December are as follows:

	2018	**2017**
Years ending 31 December:		
Less than one year	**187,200**	-
Within two to five years	**296,400**	-
Over five years	**-**	-
	483,600	-