ALBILAD INVESTMENT COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

ALBILAD INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED December 31, 2018

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Independent auditor's report to the shareholder's of Albilad Investment Company

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 Albilad Investment Company (the "Company") as at December 31, 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 December 31, 2018;
- the statement of income and other comprehensive income for the year then ended;
- the statement of changes in shareholder's 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 By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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Independent auditor's report to the shareholder's of Albilad Investment Company (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 scepticism 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

Ali A. Alotaibi
License Number 379

March 31, 2019

ALBILAD INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	December 31, 2018 (Audited)	December 31, 2017 (Audited)	July 10, 2017 (Unudited)
Assets				
Current assets				
Cash and bank balances	4	**359,615,218**	210,182,520	160,439,091
Margin financing	5	**234,673,664**	375,039,069	254,813,979
Investments held at fair value through statement of income (FVSI)	6	**9,821,295**	-	-
Investments held at fair value through other comprehensive income (FVOCI)	6	**1,133,416**	-	-
Other assets	7	**48,041,072**	28,129,049	26,641,294
Total current assets		**653,284,665**	613,350,638	441,894,364
Non-current assets				
Investments held at FVSI	6	**193,811,501**	-	-
Investment in an associate	6	-	174,569,456	-
Investment in a subsidiary		-	-	118,041,264
Available for sale (AFS) investments	6	-	47,787,275	47,424,639
Investments held at amortized cost	6	**4,294,774**	-	-
Property and equipment, net	8	**6,756,796**	-	-
Intangible assets, net	9	**4,084,262**	-	-
Total non-current assets		**208,947,333**	222,356,731	165,465,903
Total assets		**862,231,998**	835,707,369	607,360,267
Shareholder's equity and liabilities				
Liabilities				
Current liabilities				
Short-term murabaha financing	10	**180,248,437**	250,948,076	100,152,844
Accruals and other current liabilities	11	**156,048,479**	129,179,362	128,070,159
Zakat payable	12	**1,792,823**	1,584,721	-
Total current liabilities		**338,089,739**	381,712,159	228,223,003
Non-current liability				
Employees' end of service benefits (EOSB)	13	**7,771,527**	7,742,937	7,109,549
Total non-current liability		**7,771,527**	7,742,937	7,109,549
Total liabilities		**345,861,266**	389,455,096	235,332,552
Shareholder's equity				
Share capital	14	**200,000,000**	200,000,000	200,000,000
Statutory reserve	15	**36,956,969**	29,785,675	22,500,218
Retained earnings		**281,075,936**	213,603,930	147,223,781
Fair value reserve – AFS investments		-	2,461,279	2,303,716
Fair value reserve – FVOCI investments		**(1,258,233)**	-	-
Remeasurement reserve for employees' EOSB		**(403,940)**	401,389	-
Total shareholder's equity		**516,370,732**	446,252,273	372,027,715
Total shareholder's equity and liabilities		**862,231,998**	835,707,369	607,360,267
Contingencies and commitments	16			

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

ALBILAD INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
Statement of income and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31, 2018	For the period from July 10, 2017 to December 31, 2017
Operating income			
Income from brokerage services, net		**29,604,261**	12,953,392
Income from asset management services, net		**57,196,886**	29,150,807
Income from advisory and investment banking services, net		**32,690,840**	941,935
Income from custody services, net		**16,316,821**	4,938,070
Special commission income from margin financing		**15,386,080**	6,529,254
Special commission income from murabaha deposits with banks		**4,838,541**	1,010,908
Unrealised gain on investment held at FVSI – non-current		**3,824,302**	-
Unrealised loss on remeasurement of investments held at FVSI		**(1,087,974)**	-
Realised gain on sale of investment held at FVSI – mutual fund units, net		**1,299,734**	-
Special commission income on investments held at amortised cost – sukuk		**335,389**	-
Share in net results of an associate (ABIC Makkah Hospitality Fund)		**-**	(1,187,944)
Share in net results of a subsidiary		**-**	(2,075,861)
Gain on deemed disposal of investment in a subsidiary		**-**	59,791,997
		160,404,880	112,052,558
Dividend income	17	**6,714,182**	1,164,555
Total operating income		**167,119,062**	113,217,113
Operating expenses			
Salaries and employee related expenses		**(55,792,750)**	(25,823,974)
General and administrative expenses	18	**(29,307,019)**	(9,568,322)
Special commission expense on short-term murabaha financing	10	**(7,339,949)**	(2,574,490)
Impairment charge for investments and other financial assets, net	19	**(533,146)**	-
Other expenses		**(640,440)**	-
Total operating expenses		**(93,613,304)**	(37,966,786)
Income before zakat		**73,505,758**	75,250,327
Zakat	12	**(1,792,823)**	(1,584,721)
Net income for the year / period		**71,712,935**	73,665,606
Other comprehensive income / (loss):			
Items that will be reclassified subsequently to the statement of income:			
Fair value (FV) changes on AFS investments		**-**	157,563
Items that will not be reclassified subsequently to the statement of income:			
FV changes on investments held at FVOCI	6	**(686,485)**	-
Re-measurement (loss) / gain on employees' EOSB	13	**(805,329)**	401,389
		(1,491,814)	558,952
Total comprehensive income for the year / period		**70,221,121**	74,224,558

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

ALBILAD INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
Statement of changes in shareholder's equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Fair value reserve - AFS investments	Fair value reserve - FVOCI investments	Remeasurement reserve for employees' EOSB	Total
Balance at January 1, 2018	**200,000,000**	**29,785,675**	**213,603,930**	**2,461,279**	**-**	**401,389**	**446,252,273**
Impact of adopting IFRS 9 at January 1, 2018							
ECL on financial assets held at amortised cost	-	-	(60,304)	-	-	-	(60,304)
Transfer of fair value reserve – AFS to retained earnings on classification of investments at FVSI (note 2.4.2)	-	-	3,033,027	(3,033,027)	-	-	-
Transfer of FV reserve – AFS to FV reserve investments held at FVOCI	-	-	-	571,748	(571,748)	-	-
FV Impact of reclassification of investment in associate to FVSI (note 2.4.2)	-	-	(42,358)	-	-	-	(42,358)
Restated balance at January 1, 2018	**200,000,000**	**29,785,675**	**216,534,295**	**-**	**(571,748)**	**401,389**	**446,149,611**
Net income for the year	-	-	71,712,935	-	-	-	71,712,935
FV changes on investments held at FVOCI (note 6)	-	-	-	-	(686,485)	-	(686,485)
Re-measurement loss on employees' EOSB (note 13)	-	-	-	-	-	(805,329)	(805,329)
Total comprehensive income for the year	-	-	71,712,935	-	(686,485)	(805,329)	70,221,121
Transfer to statutory reserve	-	7,171,294	(7,171,294)	-	-	-	-
At December 31, 2018	**200,000,000**	**36,956,969**	**281,075,936**	**-**	**(1,258,233)**	**(403,940)**	**516,370,732**
Balance at July 10, 2017	200,000,000	22,500,218	148,531,070	2,303,716	-	-	373,335,004
Impact of adopting IFRS at July 10, 2017 (note 3.2)	-	-	(1,307,289)	-	-	-	(1,307,289)
Restated balance at July 10, 2017	200,000,000	22,500,218	147,223,781	2,303,716	-	-	372,027,715
Net income for the period	-	-	73,665,606	-	-	-	73,665,606
Remeasurement gain on employees' EOSB	-	-	-	-	-	401,389	401,389
FV changes on AFS investments	-	-	-	157,563	-	-	157,563
Total comprehensive income for the period	-	-	73,665,606	157,563	-	401,389	74,224,558
Transfer to statutory reserve	-	7,285,457	(7,285,457)	-	-	-	-
Balance at December 31, 2017	200,000,000	29,785,675	213,603,930	2,461,279	-	401,389	446,252,273

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

ALBILAD INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated

	Notes	For the year ended December 31, 2018	For the period from July 10, 2017 to December 31, 2017
Cash flows from operating activities:			
Net income for the year / period before zakat		**73,505,758**	75,250,327
Adjustments for non-cash charges and other items:			
Provision for employees' EOSB	13	**948,712**	1,896,448
Depreciation	8	**1,428,206**	-
Amortization	9	**1,173,753**	-
Impairment charge for investments and other financial assets, net	19	**533,146**	-
Special commission expense on short-term murabaha financing	10	**7,339,949**	-
Unrealised gain on remeasurement of investment held at FVSI – non-current		**(3,824,302)**	-
Unrealised loss on remeasurement of investments held at FVSI		**1,087,974**	-
Realised gain on sale of investment held at FVSI – current – mutual fund units		**(1,299,734)**	-
Accrued profit in investments held at amortised cost		**(335,389)**	-
Share of loss from investment in a subsidiary		**-**	2,075,761
Share of loss from investment in an associate		**-**	1,187,944
Gain on deemed disposal of investment in a subsidiary		**-**	(59,791,997)
Changes in operating assets and liabilities:			
Margin financing		**140,365,405**	-
Other assets		**(20,335,865)**	193,599
Accruals and other current liabilities		**16,851,222**	1,904,435
EOSB paid	13	**(1,725,451)**	(806,567)
Zakat paid	12	**(1,584,721)**	-
Net cash generated from operating activities		**214,128,663**	21,909,950
Cash flows from investing activities:			
Margin financing		**-**	(121,961,448)
Purchase of AFS investments		**-**	(205,073)
Purchase of investments held at amortised cost	6	**(5,000,000)**	-
Proceeds from investments held at amortised cost		**1,040,615**	-
Proceeds from sale of investments held at FVSI		**20,728,130**	-
Purchase of property and equipment	8	**(2,323,094)**	-
Additions to intangible assets	9	**(1,102,028)**	-
Net cash generated from / (used in) investing activities		**13,343,623**	(122,166,521)
Cash flows from financing activities:			
Proceeds from short-term murabaha financing	10	**180,000,000**	250,000,000
Repayments of short-term murabaha financing	10	**(258,039,588)**	(100,000,000)
Net cash (used in) / generated from financing activities		**(78,039,588)**	150,000,000
Net change in cash and cash equivalents		**149,432,698**	49,743,429
Cash and cash equivalents at the beginning of the year / period		**210,182,520**	160,439,091
Cash and cash equivalents at the end of the year / period		**359,615,218**	210,182,520
Supplemental non-cash information			
Transfers of property and equipment and intangible assets from Bank AlBilad to the Company	8, 9	**(10,017,895)**	-

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

1 General information

Albilad Investment Company (the "Company") is a Saudi Closed Joint Stock Company. The Company was registered as a limited liability company in the Kingdom of Saudi Arabia under commercial registration number 1010240489 dated Dhul Qa'adah 11, 1428H (corresponding to November 20, 2007) issued in Riyadh. The Company was converted from a limited liability Company to a Saudi Closed Joint Stock Company on Shawwal 16, 1438H (Corresponding to July 10, 2017) which is the date of its new commercial registration. As per revised By-laws of the Company, the Company's first fiscal period under legal status of a Saudi Closed Joint Stock Company was from the date of new commercial registration i.e. July 10, 2017 to December 31, 2017. The Company's statutory financial statements for the subsequent years will be prepared from January 1 and end on December 31 of each Gregorian calendar year.

The Company was formed in accordance with Capital Market Authority's ("CMA") letter No. 2-38-2007 dated Rajab 8, 1428H (corresponding to July 22, 2007).

The licensed activities are to act as a principal, underwriter and agent to provide dealing of securities, managing, arranging, advisory and custody services for securities activities. In the ordinary course of its business, the Company provides brokerage services in Saudi stock exchange and international stock exchanges, establishment and management of mutual funds and portfolio management, underwriting, arranging, advisory, margin financing, murabaha, custody services and equity swap facilities.

These financial statements were approved by the Board of Directors of the Company on Rajab 12, 1440H (corresponding to March 19, 2019).

2 Summary of significant accounting policies

2.1 Basis of preparation

(i) Compliance with IFRS

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

For all periods up to and including the period ended December 31, 2017, the Company prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by SOCPA. SOCPA Board of Directors in their meeting held on Thursday, July 18, 2013, (corresponding to Ramadan 10, 1434H), agreed to apply the International Financial Reporting Standards (IFRSs), after being endorsed by SOCPA, all at once. The required date for application for all entities (other than listed entities) is the financial periods starting from January 1, 2018. Accordingly, these financial statements for the year ended December 31, 2018 are the first financial statements of the Company prepared in accordance with IFRS and accordingly, International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), as endorsed in the Kingdom of Saudi Arabia has been applied. Refer note 3 for information on the first time adoption of IFRS as endorsed in the Kingdom of Saudi Arabia, by the Company.

(ii) Historic cost convention

The financial statements have been prepared:

- under the historical cost convention except for:
  - fair valuation of investments held at fair value through statement of income (FVSI) and through other comprehensive income (FVOCI); and
  - employees' end of service benefits (EOSB) carried at present value of related obligation using actuarial valuation.
- using accrual basis of accounting.

(iii) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SAR), which is the functional currency of the Company.

(iv) Critical accounting estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the input, assumptions and estimation techniques used in measuring ECL is further detailed in note 2.4.4 Impairment of financial assets, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

(i) Determining criteria for significant increase in credit risk;
(ii) Choosing appropriate models and assumptions for the measurement of ECL;
(iii) Establishing the number and relative weights of forward-looking scenarios for each type of product/market and the associated ECL; and
(iv) Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgments and estimates by the Company in the above is set out in note 2.4.4 Impairment of financial assets.

(b) Provisions for liabilities and charges

The Company receives legal claims against it in the normal course of its business. Management makes judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process being followed as per the Law.

(c) Employees' EOSB

The Company operates a defined benefit plan under the Saudi Arabian Labour Law based on employees' accumulated periods of service at the date of the statement of financial position. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method as per IAS 19 using actuarial assumptions based on market expectations at the date of statement of financial position.

(d) Determination of control over mutual funds

The Company acts as a Fund Manager to a number of mutual funds. Determining whether the Company controls such a mutual fund usually focuses on the assessment of its aggregate economic interests of the Company in the Fund (comprising any carried profits and expected management fees) and the investor's rights to remove the Fund Manager. As a result, the Company has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these mutual funds.

(v) New standard not yet effective and not early adopted by the Company

The following standard is not yet effective and has not been early adopted by the Company:

IFRS 16 'Leases'

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

IFRS 16 replaces existing leases guidance including IAS 17 'Leases', IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 'Revenue from Contracts with Customers' at or before the date of initial application of IFRS 16. The Company has not early adopted IFRS 16 since there are no significant operating lease arrangements at reporting date.

2.2 Cash and bank balances

Cash and bank balances include cash in hand and with bank.

Cash and bank balances are carried at amortised cost in the statement of financial position.

For the purpose of statement of cash flows, cash and cash equivalents includes cash in hand and with bank and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date.

2.3 Receivables

Policy applicable before January 1, 2018

Receivables are non - derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. Receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or origination. They are subsequently measured at amortised cost using the effective commission method.

Policy applicable from January 1, 2018

Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using effective commission method. Loss allowance for receivables is always measured at an amount equal to lifetime expected credit losses.

2.4 Financial instruments

2.4.1 Adoption of new standards

Effective January 1, 2018, the Company has adopted the following new accounting standard:

IFRS-9 'Financial instruments'

The Company has adopted IFRS 9 'Financial Instruments' as issued by the International Accounting Standards Board (IASB) in July 2014 with a date of transition of January 1, 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarized in notes 2.4.3 to 2.4.8.

(All amounts in Saudi Riyals unless otherwise stated)

As permitted by the transitional provisions of IFRS 9 and IFRS 1 (note 3), the Company elected not to restate comparative figures.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous SOCPA compliant accounting policies applied in the comparative periods) are described in more detail in notes below.

The measurement category and the carrying amount of financial assets and liabilities in accordance with previous accounting policies under SOCPA and IFRS 9 as at January 1, 2018 are compared as follows:

	SOCPA		IFRS 9	
	Measurement category	**Carrying amount**	**Measurement category**	**Carrying amount**
Financial assets				
Cash and bank balances	Loans and receivables	210,182,520	Amortised cost	210,131,596
Margin financing	Loans and receivables	370,747,336	Amortised cost	375,039,069
Investments in mutual funds and shares			Investments held at FVSI (mutual funds)	42,050,399
	Available for sale investments	47,787,275	Investments held at FVOCI (shares)	5,736,876
Investment in a mutual fund	Investments in associate	174,569,456	Investments held at FVSI	174,527,098
Other assets	Loans and receivables	28,129,049	Amortised cost	28,119,669
Total financial assets		**831,415,636**		**835,604,707**
Financial liabilities				
Short-term murabaha financing	Amortised cost	250,948,076	Amortised cost	250,948,076
Accruals and other current liabilities	Amortised cost	129,179,362	Amortised cost	129,179,362
Total financial liabilities		**380,127,438**		**380,127,438**

2.4.2 Reconciliation of statement of financial position balances from SOCPA to IFRS 9

The Company performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Please refer to note 2.4.3 for more detailed information regarding the new classification requirements of IFRS 9.

The reconciliation between carrying amounts of financial assets as per previous measurement in accordance with SOCPA and new measurement categories upon transition to IFRS 9 as at January 1, 2018 is as presented below:

	Measurement category	**SOCPA carrying amounts December 31, 2017**	**Reclassification**	**Re-measurement**	**IFRS 9 carrying amounts January 1, 2018**
Cash and bank balances (A)	Amortised cost	210,182,520	-	(50,924)	**210,131,596**
Investments (B)	Investment held at FVSI	-	42,050,399	-	**42,050,399**
Investments (current) (B)	Investments held at FVOCI	-	5,736,876	-	**5,736,876**
Investments (current) (B)	Available for sale	47,787,275	(47,787,275)	-	**-**
Investment in associate (C)		174,569,456	(174,569,456)	-	**-**
Investments (non-current) (C)	Investment held at FVSI	-	174,569,456	(42,358)	**174,527,098**
Other assets (A)	Amortised cost	28,129,049	-	(9,380)	**28,119,669**

A- The total re-measurement loss relating to ECL allowance of SR 60,303 (SR 50,924 on cash and bank balances and SR 9,380 on other assets) was recognised in opening reserves at January 1, 2018.

B- Upon transition to IFRS 9, financial assets previously classified as available for sale (AFS) investments are now reclassified as investments held at FVSI (mutual funds) and at FVOCI (shares) amounting to SR 42,050,399 and SR 5,736,876 respectively, with no changes to their measurement basis. The fair value reserve amounting to SR 3,033,027 on AFS investments reclassified as FVSI was transferred to retained earnings as at January 1, 2018. The FV reserve on AFS investments amounting to SR 571,748 was reclassified to FV reserve FVOCI. At January 1, 2018, there were no instruments reclassified from amortised cost measurement to fair value measurement or vice versa.

C- Investment in associate amounting to SR 174,569,456 accounted for under equity method has been reclassified as investments held as FVSI and the impact of FV on day of reclassification i.e. January 1, 2018, amounting to SR 42,358 has been charged to retained earnings.

2.4.3 Classification and measurement of financial assets

2.4.3.1 Initial recognition and measurement

Policy applicable from January 1, 2018

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The Company records investments on a 'trade date' basis.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through statement of income, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an impairment charge being recognised in the statement of comprehensive income when an asset is newly originated.

Policy applicable before January 1, 2018
Available for sale investments are initially recognised at cost including transaction costs.

All regular-way purchases and sales of financial assets are recognised and derecognised on the trade date, i.e. the date that the Company commits to purchase or sell the assets. Regular-way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place. For financial instruments held at fair value, the Company accounts for any change in fair values between the trade date and the reporting date.

All other financial asset and liabilities are initially recognized on trade date i.e. the date at which the Company becomes a party to the contractual provision of the instrument.

2.4.3.2 Classification and subsequent measurement of financial assets

Policy applicable from January 1, 2018

On initial recognition, the Company classifies its financial assets in the following measurement categories:
- Amortised cost
- FVOCI
- FVSI

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:
- The Company's business model for managing the asset; and
- The cash flow characteristics of the asset.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of other' business model and measured at FVSI.

Factors considered by the Company in determining the business model for a group of assets include:

- past experience on how the cash flows for these assets were collected;
- how the asset's performance is internally evaluated and reported to key management personnel;
- how risks are assessed and managed; and
- and how managers are compensated.

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

Debt securities held for trading, if any, are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in 'other' business model and measured at FVSI.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPP), and that are not designated at FVSI, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 2.4.4. Profit earned from these financial assets is recognised in the statement of income using the effective commission rate method.

Fair value through statement of income (FVSI): If debt instrument's cash flows do not represent solely SPPP or if it not held within the held to collect or the held to collect and sell business model, or if it is designated at FVSI, then it is measured at FVSI. A gain or loss on a debt instrument measured at FVSI is recognised in the statement of income, within "Net gain / (loss) in investments mandatorily measured at FVSI", in the period in which it arises. A gain or loss from debt instruments that were designated at fair value or which are not held for trading are presented separately from debt investments that are mandatorily measured at fair value through statement of income, within "Net gain / (loss) in investments designated at FVSI".

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVSI, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, the commission revenue and foreign exchange gains and losses on the instrument's amortised cost are recognized in statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to statement of income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Currently investment in Sukuk is classified as held at amortised cost. There are no debt securities classified as FVSI or FVOCI.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Company subsequently measures all equity investments at FVSI, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of income when the Company's right to receive payments is established.

Currently, mutual funds have been classified as FVSI and shares have been designated as held at FVOCI under irrevocable option by the Company.

Policy applicable before January 1, 2018

Available for sale investments

Available for sale investments are those investments, that are bought neither with the intention of being held to maturity nor for trading purposes, and are stated at their fair values. These are included under non-current assets unless they will be sold in the next fiscal year. These investments are initially recognized at fair value including transaction costs.

After initial measurement, changes in fair value are recognized in the statement of changes in shareholder's equity until the investment is derecognized, at which time the cumulative change in fair value is recognized in the statement of income. Any decline in value considered to be other than temporary is charged to the statement of income. Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available. Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques. Otherwise, cost is considered to be the fair value.

Investment in subsidiary / associate

A subsidiary is an entity are those in which the Company has a long term investment comprising an interest of more than 50% of the voting capital and over which it exercises control.
An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Investments in subsidiary and associate companies are accounted for using the equity method of accounting, whereby the special-purpose financial statements include investor's share of the subsidiary's / associates' post acquisition results, reserves and retained earnings based on their latest available special-purpose financial statements .

If the Company loses control of a subsidiary, any investment retained in the entity will be recognized at its fair value on the date in which control is lost. Subsequently, any retained investment will be accounted for in accordance with relevant accounting standards.

The application of the equity method will be discontinued if an investment value is reduced to nil as a result of the continuous losses of the investee (unless the Company has guaranteed the obligation of the subsidiary / associate or has otherwise committed to provide further financial support to them). If a subsidiary / associate subsequently achieve net income equal to the net losses made during the period, in which the equity method was suspended, the application of the equity method will resume.

2.4.4 Impairment of financial assets

The Company assesses on a forward-looking basis, the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The Company recognises a loss allowance for such assets at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

IFRS 9 outlines a 'three stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

(i) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored.
(ii) If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
(iii) If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
(iv) Financial instrument in Stage 1 have their ECL measured at an amount equal to the portion of expected credit losses that result from the default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
(v) A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should be consider forward-looking information.
(vi) Purchase or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Stage 1: (Initial recognition) 12-month expected credit losses
Stage 2: (Significant increase in credit risk since initial recognition) Lifetime expected credit losses
Stage 3: (Credit impaired assets) Lifetime expected credit losses

The financial assets of the Company, that are subjected to ECL review include bank balances, margin financing, investments is sukuk and other assets.

The significant exposure of the Company is held as placement with Bank AlBilad which has a sound credit rating as at the reporting date. The rating of Bank AlBilad as at December 31, 2018 was A2 as per Moody's and no decline is seen in the credit rating till the reporting date.

ECL on margin / murabaha financing is nil due to factors mentioned in note 2.4.4.3. For ECL on cash and bank balances, sukuk investment and other assets please refer note 2.4.4.2 and 2.4.4.3. Other assets include investment banking and security custody income receivable, and management and performance fee receivable.

2.4.4.1 Stages of Impairment under IFRS 9

The impairment approach of IFRS 9 provides a framework for Expected Credit Losses (ECL) where in, the assets have to be segmented into three stages. The three stages reflect the general pattern of credit deterioration of a financial asset. The three stages differ in terms of recognition of expected credit losses and the presentation of special commission income.

Stage 1 - Performing financial assets

Stage 1 assets are assessed based on Company's existing credit risk management standards for acceptable credit quality. Overall the financial assets falling under this category have the following characteristics at minimum:

- Adequate capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability to fulfil its obligations.

Stage 2 - Financial Assets with significant increase in credit risk

These are financial assets whose credit quality has deteriorated significantly since origination but do not have objective evidence of impairment.

Stage 3 - Credit impaired financial assets

Financial assets classified under this category have exceeded either the objective thresholds set by the Company or have been subjectively considered as obligors which lack a capacity to repay their contractual obligations, on a timely basis.

The nature of customers identified in this category is similar to the previous obligors that were classified as "defaulted" based on objective evidence of impairment. The Company considers "Default" event when the obligor is unlikely to pay for its credit obligations in full, without recourse by the Company to the actions such as realizing security (if held).

2.4.4.2 Transfer criterions

Margin financing

The transfer criterions are based on the breaches in the Company's equity proportion. As and when the Company revises the margin and liquidation benchmarks, the transfer criterion shall be modified accordingly to reflect the appropriate credit risk in each of the stages.

Stage 1 to Stage 2
- Any significant increase in credit risk would trigger transfer of an asset from Stage 1 to stage 2 depending on the level of deterioration.
- As and when the collateralization level of the client falls below 175% but not below 150% and subsequently margin is called, the asset would be migrated to Stage 2.

Stage 2 to Stage 3
- For an asset in Stage 2, if the client's collateralization level falls below 150%, the client shall be considered credit impaired and the asset would be moved to Stage 3.

Bank balances, sukuk and other assets

Stage 1 to Stage 2
- Any significant increase in credit risk would trigger transfer of an asset from Stage 1 to stage 2 depending on the level of deterioration.
- Amount is overdue by more than 30 days.

Stage 2 to Stage 3
- If the amount is overdue by more than 90 days.

2.4.4.3 Expected credit loss measurement

Margin financing

Staging criteria:

Staging is done in accordance with criteria mention in note 2.4.4.1 and 2.4.4.2.

Significant increase in credit risk:

A decrease in collateral percentage below 175% but not below 150% is considered as a significant increase in credit risk and such exposures are transferred to stage 2.

Definition of default:

For the purpose of default rate calculation, the Company has used the liquidation events as trigger for defaults. The default rate as at reporting date equals the number of accounts defaulting in the next 12 months from reporting date divided by the total number of performing accounts during the reporting month.

Measurement of ECL:

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described below.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. The Company has never suffered any loss on liquidations since incorporation by recovering the amounts fully. Therefore, the historical experience relating to LGD has been 0%. Given the nature and extent of the collateral pledged against the Company's margin finance exposures, the management considers the credit risk of the exposures to be minimal. In accordance with the policy of the Company, the margin finance facilities should be 200% collateralized and the facility is liquidated if the collateral coverage ratio drops below the liquidation level of 150%. Hence, even though there might be small probability of default, the ECL would result in zero impairment provision, as the pledged collateral (in the form of cash or liquid securities) covers the exposure at least to 167%. The over-collateralise nature of the exposure has been observed and expected to result in a loss given default (LGD) of zero.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

Incorporation of forward looking outcome:

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A macroeconomic adjustment is applied to the PD in order to incorporate forward looking outcome.

Bank balances, sukuk and other assets

Staging criteria:

Staging is done in accordance with criteria mention in note 2.4.4.1 and 2.4.4.2.

Significant increase in credit risk:

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria: The decrease in the external rating/internal rating of the counter-party by 2 notches at the reporting date as compared to the rating as on the date of inception of the instrument. These thresholds have been determined separately for class of instruments, by assessing how the rating moves prior to an instrument becoming delinquent. These movements on instruments which do not subsequently become delinquent have also been assessed, to identify the "natural" movement in raring which is not considered indicative of a significant increase in credit risk.

Qualitative criteria: If the counter-party meets one or more of the following criteria:

- In short-term forbearance.
- Direct debit cancellation.
- Extension to the terms granted.
- Previous arrears within the last 12 months.
- Significant increase in credit spread.
- Significant adverse changes in business, financial and/ or economic conditions in which the counter-party operates.
- Actual or expected forbearance or restructuring.
- Actual or expected significant adverse change in operating results of the counter-party.
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default.
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/ loans. The assessment of Significant Increase in Credit Risk (SICR) incorporates forward-looking information and is performed on a quarterly basis at a portfolio level for all financial instruments held by the Company.
- In relation to sukuk financial instruments, where a watch list is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by an independent Credit Risk team.

Definition of default:

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

- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Measurement of ECL:

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a counter-party defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

- The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

- The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type:

    - For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

    - For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different counter-parties. These LGD's are influenced by collection strategies, including contracted debt sales and price.

- Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

- The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

- There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward looking outcome:

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Company's risk assessment team on a quarterly basis and provide the best estimate view of the economy over the next five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Company's risk assessment team also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearity are captured. Significant amount of the instruments entered by the Company for the current reporting period are 12 months maturing, making the impact of forward looking information minimal.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linarites and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

2.4.5 Financial liabilities

All financial liabilities are initially recognized at fair value less transaction costs except for financial liabilities measured at FVSI where transactions cost, if any, are not deducted from the fair value measurement at initial recognition, and are included in the statement of comprehensive income.

Subsequently, all special commission bearing financial liabilities other than those held at FVSI are measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on settlement.

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

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible by the Company.

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

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

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

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

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

2.4.7 Derecognition of financial instruments

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires

2.4.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is an enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.5 Accruals and other current liabilities

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company. These are carried at amortised cost.

2.6 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.7 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Leasehold improvements	10 years
Office furniture and equipment	4 years
Motor vehicles	4 years
Computers hardware	5 years
Fixture and fittings	5 years
Safe box	5 years

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income when the asset is derecognized. Normal repair and maintenance are charged to the statement of income as and when incurred.

Capital work in progress is stated at cost incurred until the asset is ready for its intended use, thereafter, this cost is capitalized on the related assets. This includes the cost of contractors, materials, services and capital advances. Capital work in progress is not depreciated.

2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortisation of intangible assets is calculated on a straight-line basis over the estimated useful life of 5 years.

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

2.9 Impairment of non-financial assets

Property and equipment and other non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU) fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

2.10 Employees' end of service benefits (EOSB)

The employees' EOSB provision is made based on an actuarial valuation of the Company's liability under the Saudi Arabian Labor Law.

In accordance with the provisions of IAS 19 "Employee benefits", management carries out an exercise to assess the present value of its obligations, using the projected unit credit method. Under this method an assessment is made of the employees' expected service life with the Company and expected salary at the date of leaving the service.

The cost of providing benefits under the Company's defined benefit plans is determined using the projected unit credit method by professionally qualified actuaries and arrived at using actuarial assumptions based on market expectations at the date of statement of financial position. These valuations attribute entitlement benefits to the current period (to determine current service cost), and to the current and prior periods (to determine the present value of defined benefit obligations). Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through statement of other comprehensive income in the period in which these occur. Re-measurements are not reclassified to statement of income in subsequent periods.

Past service costs are recognized in statement of income on the earlier of:
- the date of the plan amendment or curtailment; and
- the date that the Company recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The defined benefit liability in the statement of financial position comprises the present value of the defined benefit obligation (using a discount rate).

2.11 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year is transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

2.12 Zakat and income taxes

The Company is subject to Zakat and income tax in accordance with the regulations of the General Authority of Zakat and Tax (GAZT). Zakat and income taxes are charged to the statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Deferred tax is provided in full, if material, using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred 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 tax liability is settled.

Deferred tax relating to items recognised outside statement of income is recognised either in statement of comprehensive income or directly in equity.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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.

The Company also withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.13 Assets held in trust or in a fiduciary capacity

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

2.14 Revenue recognition

The Company recognises revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue	The Company recognises revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Based on the above five steps the revenue recognition policies for the various revenue streams is as follow:

Brokerage income - Income on brokerage transaction is recognized on accrual basis net of expenses. The moment the transactions is executed / concluded, the agent (in this case the Company) has satisfied its performance obligation, which is considered as a performance obligation satisfied at a point in time and not over a period of time. Thus upon rendering of services the revenue from brokerage – is to be recognized. Brokerage income earned on a daily buy and sell transactions is recognized on the trade date.

Asset management fees - Asset management fees are recognised based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based") subject to applicable terms and conditions and service contracts with customers and funds. The Company attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Company's efforts to transfer the services for that period. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised.

Fund manager receive or pay various types of fees or costs associated with Asset Management services that are associated with the fund units. Fund manager while managing the assets, is entitled to a consideration as management fee revenue. The new revenue standard requires the Fund manager (the Company) to assess the performance obligation apart from other services the asset manager is providing, or whether it is a supporting activity or component of the overall asset management services. There are two fees received by the Fund Manager, one is management fees and the other one subscription fees. This fee compensates and contributes to the fund separate performance obligation, the fund manager service is generally be satisfied upon the investor's subscription and trigger immediate recognition of the revenue, assuming no further commitments remain.

Alternatively, if the Fund Manager services are a single performance obligation, the one-time fee is viewed as an advance payment for future services and is therefore recognized as revenue over time as the overall services are performed.

Advisory and investment banking services revenue - Advisory and investment banking services revenue is recognised based on services rendered as being complete in accordance with the underlying agreement / contract using the five-step approach to revenue recognition above.

Normally revenue recognition of retainer fees is recognized over a period of time, in case if an advance payment is received to perform future obligations. Generally, it is linked to timing of performance obligation, for example, monthly, quarterly etc.

In some cases, accrual of the retainer fees is linked to some milestones like, submitting a report, or certification by a third party. If the terms of retainer fees are linked to such performance obligations, then income is recognised upon satisfaction of such performance obligations, that is, on fulfilment of terms as per the contract with the customers.

Success fees are recognised upon fulfilment of performance obligations. For example, either on getting the sanction letter or disbursement of the loan as the case may be.

Underwriting fees are recognized when the Company has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.

Custody fee - Generally revenue for the custody fees is recognised based on a time proportionate basis. The Company provides a non-restrictive legal custodial structure in line with CMA requirements and conductive for efficient operations of the mutual funds under management, while tailored for specific requirements of Fund Managers on a case by case basis.

Dividend income - Dividend income is recognised when the right to receive dividend is established.

Special commission income

Margin finance fees – Income from margin financing facilities is recognized on a time proportionate basis over the period of the contract based on the principal amounts outstanding and the profit rate agreed with the customer.

Income from murabaha – Income from murabaha deposits with banks is recognised on an effective commission rate basis. The effective commission rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective commission rate, the Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses. The carrying amount of the financial asset is adjusted, if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective commission rate and the change in carrying amount is recorded as impairment losses.

2.15 Expenses

Expenses, other than employee's costs and financial charges are classified as general and administrative expenses. These also include expenses allocated by Bank AlBilad.

2.16 Special commission expense on short-term Murabaha financing

Special commission expense on short term murabaha financing is recognized on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the profit rate agreed with Bank AlBilad.

2.17 Operating lease expenses

Operating lease payments are recognized as an expense in the statement of income on a straight -line basis over the lease term.

2.18 Foreign currencies transactions and balances

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the exchange rates prevailing at the dates of the transaction. Assets and liabilities denominated in foreign currencies at the period-end are translated into Saudi Arabian Riyals at the exchange rates prevailing at the statement of financial position date. Realized and unrealized gains or losses on exchange are credited or charged to the statement of income.

2.19 Contingent assets and liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognized, but are disclosed where an inflow of economic benefits is probable.

3 First time adoption of International Financial Reporting Standards (IFRS)

The financial statements for the year ended December 31, 2018 are the first annual financial statements of the Company prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia. For periods up to and including the period ended December 31, 2017, the Company prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

Accordingly, the Company has prepared the financial statements that comply with IFRS applicable as at December 31, 2018, together with the comparative periods as at July 10, 2017 and as at December 31, 2017. This note explains the principal adjustments made by the Company in restating its previous statements of financial positions as at July 10, 2017 and December 31, 2017 which had been prepared in accordance with the requirements of SOCPA. Date of IFRS adoption is January 1, 2018 and date of transition is July 10, 2017.

Exemptions applied

IFRS 1 '*First-time Adoption of International Financial Reporting Standards*' allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Company has applied the following exemption:

The Company has adopted IFRS 9 as issued by International Accounting Standards Board in July 2014 with a date of transition of January 1, 2018, which resulted in adjustments to the amounts previously recognised in the financial statements as disclosed in note 2.4.2 to these financial statements.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition, if any, were recognised in the opening retained earnings (January 1, 2018) and other reserves of current period. Accordingly, the information presented in comparative periods reflects the requirements of SOCPA and therefore is not comparable to the information presented under the requirements of IFRS 9 for the year ended 31 December 2018.

Therefore, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period.

The following assessment have been made on the basis of the facts and circumstances that existed at the date of transition:

- Determination of the business model within which a financial asset is held;
- Designation and revocation of previous designations of certain financial assets as measured at FVSI.

Estimates

The estimates at July 10, 2017 and at December 31, 2017 are consistent with those made for the same dates in accordance with SOCPA standards.

At the date of transition to IFRS 9, the Company had mutual fund investments amounting to SR 42,050,399 classified under SOCPA GAAP as available for sale with the fair value reserve amounting to SR 3,033,027. These were classified under IFRS 9 as FVSI, resulting in a transfer of AFS reserve for unrealized gain of SR 3,033,027 through retained earnings as at January 1, 2018.

Similarly, investments in shares amounting to SR 5,736,876 previously classified as AFS with FV reserve amounting to SR 571,748 were reclassified as FVOCI with FV reserve transferred to 'FV reserve FVOCI investments'.

(All amounts in Saudi Riyals unless otherwise stated)

Statement of cash flows

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

3.1 Reconciliation of financial position as at December 31, 2017

	Notes	SOCPA December 31, 2017	Re-classification	Re-measurement	IFRS December 31, 2017
Assets					
Current assets					
Cash and bank balances	3.3 (B) 3.3 (A)	150,139,187	60,000,000 43,333	-	**210,182,520**
Murabaha deposits with banks	3.3 (B)	60,000,000	(60,000,000)	-	**-**
Margin financing	3.3 (C)	370,747,336	4,291,733	-	**375,039,069**
Other assets	3.3 (C) 3.3 (A)	32,464,115	(4,291,733) (43,333)	-	**28,129,049**
Total assets		613,350,638	-	-	**613,350,638**
Non-current assets					
Investment in an associate		174,569,456	-	-	**174,569,456**
Available for sale (AFS) investments		47,787,275	-	-	**47,787,275**
		222,356,731	-	-	**222,356,731**
Total assets		835,707,369	-	-	**835,707,369**
Shareholder's equity and liabilities					
Current liabilities					
Short-term murabaha financing	3.3 (D)	250,000,000	948,076	-	**250,948,076**
Accruals and other current liabilities	3.3 (D)	130,127,438	(948,076)	-	**129,179,362**
Zakat payable		1,584,721	-	-	**1,584,721**
		381,712,159	-	-	**381,712,159**
Non-current liability					
Employees' end of service benefits	3.3 (E)	7,648,069	-	94,868	**7,742,937**
		7,648,069		94,868	**7,742,937**
Total liabilities		389,360,228	-	94,868	**389,455,096**
Shareholder's equity					
Share capital		200,000,000	-	-	**200,000,000**
Statutory reserve		29,785,675	-	-	**29,785,675**
Retained earnings	3.3 (E)	214,100,187	-	(496,257)	**213,603,930**
Fair value reserve – AFS Investments		2,461,279	-	-	**2,461,279**
Remeasurement reserve for employees' EOSB		-	-	401,389	**401,389**
Total shareholder's equity		446,347,141	-	(94,868)	**446,252,273**
Total shareholder's equity and liabilities		835,707,369	-	-	**835,707,369**

(All amounts in Saudi Riyals unless otherwise stated)

3.2 Reconciliation of financial position as at July 10, 2017

	Notes	SOCPA July 10, 2017	Re-classification	Re-measurement	IFRS July 10, 2017
Assets					
Current assets					
Cash and bank balances	3.3 (B) 3.3 (A)	11,281,738	149,000,000 157,353	-	**160,439,091**
Murabaha deposits with Banks	3.3 (B)	149,000,000	(149,000,000)	-	-
Margin financing	3.3 (C)	248,785,888	6,028,091	-	**254,813,979**
Other assets	3.3 (C) 3.3 (A)	32,826,738	(6,028,091) (157,353)	-	**26,641,294**
Total assets		441,894,364	-	-	**441,894,364**
Non-current assets					
Investment in a subsidiary		118,041,264	-	-	**118,041,264**
Available for sale (AFS) investments		47,424,639	-	-	**47,424,639**
		165,465,903	-	-	**165,465,903**
Total assets		607,360,267	-	-	**607,360,267**
Shareholder's equity and liabilities					
Current liabilities					
Short-term murabaha financing	3.3 (D)	100,000,000	152,844	-	**100,152,844**
Accruals and other current liabilities	3.3 (D)	128,223,003	(152,844)	-	**128,070,159**
		228,223,003	-	-	**228,223,003**
Non-current liability					
Employees' end of service benefits	3.3 (E)	5,802,260	-	1,307,289	**7,109,549**
		5,802,260		1,307,289	**7,109,549**
Total liabilities		234,025,263	-	1,307,289	**235,332,552**
Shareholder's equity					
Share capital		200,000,000	-	-	**200,000,000**
Statutory reserve		22,500,218	-	-	**22,500,218**
Retained earnings	3.3 (E)	148,531,070	-	(1,307,289)	**147,223,781**
Fair value reserve – AFS Investments		2,303,716	-	-	**2,303,716**
Total shareholder's equity		373,335,004	-	(1,307,289)	**372,027,715**
Total shareholder's equity and liabilities		607,360,267	-	-	**607,360,267**

(All amounts in Saudi Riyals unless otherwise stated)

3.3 Notes to the reconciliation of statement of financial positon

(A) Accrued special commission on murabaha deposits with banks: In the previous financial reporting framework, accrued special commission on murabaha deposits with banks amounting to Saudi Riyals 43,333 (July 10, 2017: Saudi Riyals 157,353) was included in 'other assets'. As per IFRS, the related special commission of a financial asset at amortised cost should be included in its carrying value at reporting date. Consequently, the Company reclassified the accrued special commission income from other assets to cash and bank balances.

(B) Murabaha deposits with banks: SR 60,000,000 (July 10, 2017: SR 149,000,000) was previously presented separately in the statement of financial position. On adoption of IFRS, the Company has classified them under cash and bank balances along with the related accrued profit SR 43,333 (July 10, 2017: SR 157,353) which was presented under the other assets previously.

(C) Accrued special commission income on margin financing: The Company previously classified the accrued special commission on margin financing under 'other assets', amounting to Saudi Riyals 4,291,733 (July 10, 2017: Saudi Riyals 6,028,091). As per IFRS, the related special commission of a financial asset at amortised cost should be included in its carrying value at reporting date. Consequently, the Company reclassified the accrued special commission from other assets to margin financing.

(D) Accrued special commission expense on short-term murabaha financing: In the previous financial reporting framework, accrued special commission expense on short-term murabaha financing amounting to Saudi Riyals 948,076 (July 10, 2017: Saudi Riyals 152,844) was included in 'accruals and other current liabilities'. As per IFRS, the related special commission of financial liabilities at amortised cost should be included in its carrying value at reporting date. Consequently, the Company reclassified the accrued special commission expense from accruals and other current liabilities to short-term murabaha financing

(E) Restatement of employees' end of service benefits: On July 10, 2017 and December 31, 2017, the Company made an adjustment because of the conversion from SOCPA GAAP to IFRS. The Company increased the provision for employee termination benefits based on the actuarial valuation by Saudi Riyals 94,868 (July 10, 2017: Saudi Riyals 1,307,289) from the previously reported amounts.

3.4 Reconciliation of equity as appearing in the statement of financial position

	Note	December 31, 2017	July 10, 2017
Total shareholder's equity under SOCPA GAAP as previously reported		**446,347,141**	373,335,004
Additional provision from re-measurement of employees' EOSB under IFRS:	3.3 E	**(94,868)**	(1,307,289)
Total shareholder's equity under IFRS		**446,252,273**	372,027,715

(All amounts in Saudi Riyals unless otherwise stated)

3.5 Reconciliation of total comprehensive income of the Company for the period from July 10, 2017 to December 31, 2017.

	Note	SOCPA December 31, 2017	Effect of transition to IFRS	IFRS December 31, 2017
Operating income				
Income from brokerage services, net		12,953,392	-	12,953,392
Income from asset management services, net		29,150,807	-	29,150,807
Income from advisory and investment banking services, net		941,935	-	941,935
Income from custody services, net		4,938,070	-	4,938,070
Income from margin financing		6,529,254	-	6,529,254
Income from murabaha deposits with banks		1,010,908	-	1,010,908
		55,524,366	**-**	**55,524,366**
Gain on deemed disposal of investment in subsidiary		59,791,997	-	59,791,997
Share of result from investment in a subsidiary		(2,075,861)	-	(2,075,861)
Share of result from investment in a associate		(1,187,944)	-	(1,187,944)
Dividend income		1,164,555	-	1,164,555
Total operating income		**113,217,113**	**-**	**113,217,113**
Operating expenses				
Salaries and other employee related expenses	3.5 (A)	(26,635,006)	811,032	(25,823,974)
General and administrative expenses		(9,568,322)	-	(9,568,322)
Special commission expense on short-term murabaha financing		(2,574,490)	-	(2,574,490)
Total operating expenses		**(38,777,818)**	**811,032**	**(37,966,786)**
Income before zakat		**74,439,295**	**811,032**	**75,250,327**
Zakat		(1,584,721)	-	(1,584,721)
Net income for the period		**72,854,574**	**811,032**	**73,665,606**
Other comprehensive income:				
Items that may be reclassified subsequently to the statement of income				
- FV changes on AFS investments	3.5 (B)	-	157,563	157,563
Items that will not be reclassified subsequently to the statement of income				
- Remeasurement of employees' EOSB	3.5 (A)	-	401,389	401,389
Other comprehensive income for the period		**-**	**558,952**	**558,952**
Total comprehensive income for the period		**72,854,574**	**1,369,984**	**74,224,558**

3.5 (A) On conversion to IFRS, using actuarial valuation, the Company was required to make a provision of SR 1,896,448 (note 13) in the statement of income and SR (401,389) in OCI. Under SOCPA an amount of SR 2,707,480 was charged in the statement of income. Accordingly, SR 811,032 was reversed in the statement of income while gain of SR 401,389 was recorded in OCI.

3.5 (B) On adoption of IFRS, FV changes on investments held at FVOCI have been presented as part of other comprehensive income in statement of income and comprehensive income. Previously there was no such presentation required to be made in the statement of income.

(All amounts in Saudi Riyals unless otherwise stated)

3.6 Reconciliation of statement of cash flows

The transition from SOCPA to IFRS has not had an impact on the statement of cash flows. The Company's operating, investing and financing cash flows reported under SOCPA did not significantly differ from IFRS.

4 Cash and bank balances

	Notes	December 31, 2018	December 31, 2017
Cash in hand		**5,000**	10,000
Cash at Bank AlBilad - current accounts	4.1, 20.2	**19,036,551**	150,129,187
Murabaha deposit with banks	4.2	**340,573,667**	60,043,333
		359,615,218	210,182,520

4.1 This represents account maintained with Bank AlBilad. At December 31, 2018, Bank AlBilad had "A2" (2017: A2) rating as per Moody's.

4.2 Murabaha deposit with banks

	December 31, 2018	December 31, 2017
Principal amount outstanding	**340,000,000**	60,000,000
Accrued profit on outstanding amount	**573,667**	43,333
	340,573,667	60,043,333

5 Margin financing

The Company extends margin financing facilities to its customers to invest in the Saudi Stock Exchange (Tadawul). These facilities are backed by collaterals and extended up to a maximum period of one year and bear prevailing profit rates on the amount of margin financing.

	31 December 2018	31 December 2017
Gross margin financing	**232,321,911**	370,747,336
Accrued profit	**2,351,753**	4,291,733
	234,673,664	375,039,069

6 Investments

	Notes	31 December 2018	31 December 2017
Current:			
Investments held at FVSI	6.1.1	**9,821,295**	-
Available for sale (AFS) investments	6.1.2	**-**	47,787,275
Investments held at FVOCI	6.1.3	**1,133,416**	-

	Notes	31 December 2018	31 December 2017
Non-current:			
Investments held at FVSI	6.2.1	**193,811,501**	-
Investment in associate	6.2.2	**-**	174,569,456
Investments held at amortised cost	6.2.3	**4,294,774**	-

(All amounts in Saudi Riyals unless otherwise stated)

6.1 Current

6.1.1 Investments held at FVSI

These represent investments in the following mutual funds:

	December 31, 2018		
	Cost	Unrealised gain / loss on remeasurement	Carrying value
Al Dahiyah Private Placement Fund	6,000,000	(55,200)	5,944,800
GCC Ithmar	3,636,077	240,418	3,876,495
Investments held at FVSI	9,636,077	185,218	9,821,295

6.1.2 Available for sale investments

Under SOCPA the below were classified as AFS investments as at December 31, 2017 as follows:

	December 31, 2017		
	Cost	Investment revaluation reserve	Carrying value
Mutual funds:			
Canary Alkozama Fund	10,000,000	1,457,700	11,457,700
Ashmor Fund	10,000,000	553,400	10,553,400
UK Social Fund	8,298,270	535,729	8,833,999
Al Dahiyah Private Placement Fund	6,000,000	437,100	6,437,100
Al Wasat Real Estate	5,000,000	(231,800)	4,768,200
GCC Ithmar	3,636,077	280,898	3,916,975
Equity shares	2,391,649	(571,748)	1,819,901
	45,325,996	2,461,279	47,787,275

6.1.3 Investments held at FVOCI

These represent investments in equity shares as follows:

	December 31, 2018		
	Cost	Investment revaluation reserve	Carrying value
Equity shares	2,391,649	(1,258,233)	1,133,416

6.2 Non-Current

6.2.1 Investments held at FVSI

These represent investments in mutual funds as follows:

6.2.1.1 ABIC Makkah Hospitality Fund

	December 31, 2018	December 31, 2017
At the beginning of the year / period	174,569,456	-
FV adjustment recognised in retained earnings on reclassification as FVSI	(42,358)	-
	174,527,098	-
Net change in FV during the year / period	3,824,302	-
FV at the end of the year / period	178,351,400	-

(All amounts in Saudi Riyals unless otherwise stated)

Name	**Type of activity**	**Shareholding**
ABIC Makkah Hospitality Fund	Real estate fund	16.26%

ABIC Makkah Hospitality Fund (the 'Fund') was established in 2016 as a Sharia compliant closed-ended private real estate fund. The purpose of the Fund is to invest in prime hospitality assets in Makkah acquiring 56 units situated in full-service, upscale / luxury hotel towers on the boundary of Masjid Al Haram.

During the year 2017, the Company's investment in the Fund was significantly diluted from 67% to 25.1% as a result of new investors investing in the Fund. As a result of such dilution and the change in terms and conditions including those relating to the removal of the Fund Manager, management reassessed the classification of the Company's investment. Management concluded that the Fund is no longer a subsidiary of the Company and is in fact an associate of the Company from the date of dilution in Company's shareholding in the Fund. Accordingly, this amount was classified as investment in associate (note 6.2.2).

During the year 2018, Fund acquired additional assets of 90 units with new subscribers and the investment exposure of the Fund Manager decreased to 16.26%.

On January 1, 2018, investment in associate amounting to SR 174,569,456 accounted for under equity method has been reclassified from investment in an associate to FVSI.

The Company engaged external, independent and qualified valuer to determine the fair value of 90 residential units within Jabal Omar project in Makkah (zone S3 & S4).

The evaluator is specializing in the valuation of transferable and non-transferable assets, including commercial valuation, industrial and real estate and is accredited by "Taqeem".

6.2.1.2 Other mutual funds

	December 31, 2018		
	Cost	**Unrealised gain / loss on remeasurement**	**Carrying value**
Canary Alkozama Fund	**10,000,000**	**(180,107)**	**9,819,893**
Al Wasat Real Estate	**5,000,000**	**640,208**	**5,640,208**
Investments held at FVSI	**15,000,000**	**460,101**	**15,460,101**

6.2.2 Investment in an associate

	December 31, 2018	**December 31, 2017**
Cost	-	175,757,400
Add: share in net results during the year / period	-	(1,187,944)
FV at the end of the year / period	-	174,569,456

(All amounts in Saudi Riyals unless otherwise stated)

6.2.3 Investments held at amortized cost

During the year, the Company "as dealer and arranger" purchased SUKUK of Morabaha Marina Financing Company "as issuer" amounting to SR 5 million out of total issue of SR 400 million that will expire in January 2023 carrying a profit rate of 8% for twenty coupons starting from February 11, 2018 until February 12, 2023. As at December 31, 2018, the amount outstanding is SR 4.29 million (2017: Nil).

7 Other assets

	Note	December 31, 2018	December 31, 2017
Management and performance fee receivable from:			
- Funds		**27,046,199**	11,469,454
- Discretionary portfolios – international		**11,819,470**	2,116,470
- Discretionary portfolios – local		**201,479**	553,873
Investment banking and security's custody income receivable		**5,831,843**	5,837,218
Prepayments		**1,555,276**	2,545,313
Amount due from an associate	20-2	**-**	5,318,481
Others		**1,586,805**	288,240
		48,041,072	28,129,049

8 Property and equipment, net

	January 1, 2018	Transfers from Bank AlBilad to the Company	Additions	Transfers/ (disposals)	December 31, 2018
Cost:					
Computer hardware	-	772,197	64,018	-	836,215
Fixture and fittings	-	236,896	43,595	20,114	300,605
Leasehold improvements	-	3,129,694	-	3,582,331	6,712,025
Motor vehicles	-	501,850	-	-	501,850
Office furniture and equipment	-	1,159,659	1,285,694	-	2,445,353
Safe box	-	28,000	-	-	28,000
Capital work-in-progress	-	2,746,428	929,787	(3,602,445)	73,770
	-	8,574,724	2,323,094	-	10,897,818
Accumulated depreciation:					
Computer hardware	-	(618,012)	(173,186)	-	(791,198)
Fixture and fittings	-	(296,810)	(62,514)	-	(359,324)
Leasehold improvements	-	(989,915)	(688,704)	-	(1,678,619)
Motor vehicles	-	(207,051)	(101,745)	-	(308,796)
Office furniture and equipment	-	(595,310)	(379,775)	-	(975,085)
Safe box	-	(5,718)	(22,282)	-	(28,000)
	-	(2,712,816)	(1,428,206)	-	(4,141,022)
Net book value	-				6,756,796

During 2018, certain items of property and equipment were transferred at net written down value from Bank AlBilad.

Capital work-in-progress includes advances given to suppliers for purchase of fixture and fittings and construction of certain leasehold improvements.

(All amounts in Saudi Riyals unless otherwise stated)

9 Intangible assets, net

	January 1, 2018	Transfers from Bank AlBilad to the Company	Additions	Transfers/ (disposals)	December 31, 2018
Cost:					
Software	-	6,310,862	52,569	401,812	6,765,243
Capital work-in-progress	-	1,351,044	1,049,459	(401,812)	1,998,691
	-	7,661,906	1,102,028	-	8,763,934
Accumulated amortisation:					
Software	-	(3,505,919)	(1,173,753)	-	(4,679,672)
	-	(3,505,919)	(1,173,753)	-	(4,679,672)
Net book value	-				4,084,262

Intangible assets represent cost of various software used by the Company for the purpose of accounting and record keeping of the various revenue streams that encompass the Company's business activities.

10 Short-term murabaha financing

This represents murabaha financing obtained from Bank AlBilad to finance the Company's working capital requirements. It also includes the purchase of a commodity by Bank AlBilad at the request of the Company.

During the year, the Company obtained two short-term murabaha financings from Bank AlBilad. The first facility was for SR 50 million that is repaid by March 20, 2019 and carries special commission expenses at SIBOR + agreed spread. The second facility was for SR 130 million that is repaid by December 31, 2019 and carries special commission expenses at SIBOR + agreed spread. There were no covenants on the murabaha financings obtained from the Bank AlBilad.

	December 31, 2018	December 31, 2017
Opening balance	**250,000,000**	100,000,000
Receipts during the year / period	**180,000,000**	150,000,000
Repayments during the year / period	**(250,000,000)**	-
Accrued profit	**248,437**	948,076
Closing balance	**180,248,437**	250,948,076

Movement of special commission expense on short-term murabaha financing is as follows:

	December 31, 2018	December 31, 2017
Opening balance	**948,076**	114,633
Special commission charged during the year / period	**7,339,949**	4,389,517
Repayments during the year / period	**(8,039,588)**	(3,556,074)
Closing balance	**248,437**	948,076

(All amounts in Saudi Riyals unless otherwise stated)

11 Accruals and other current liabilities

	Notes	December 31, 2018	December 31, 2017
Due to Bank AlBilad	20.2	**129,168,565**	116,634,457
Staff annual bonus accrual		**7,211,793**	6,199,398
Contracts accruals		**7,057,644**	3,714,579
Legal and overdrawn account provision	18.1.1	**6,203,740**	50,000
Staff incentives accrual		**2,477,134**	2,544,141
Others		**3,929,603**	36,787
		156,048,479	129,179,362

12 Zakat payable

Effective 1 January 2009, Bank AlBilad has started to submit Zakat return based on its consolidated financial statements (including the Company) and settle Zakat liability accordingly. The Company's share of the Zakat liability for the year ended December 31, 2018 amounting to SR 1,792,823 (2017: SR 1,584,721) has been charged to statement of income. In prior years, the Company received final Zakat assessments from the General Authority of Zakat and Tax (GAZT) in respect of all year up to 2008.

	December 31, 2018	December 31, 2017
Opening balance	**1,584,721**	999,000
Charge for the year / period	**1,792,823**	1,584,721
Payment during the year / period	**(1,584,721)**	(999,000)
Closing balance	**1,792,823**	1,584,721

13 Employees' end of service benefits (EOSB)

	Note	December 31, 2018	December 31, 2017
Opening balance		**7,742,937**	7,109,549
<u>Charge for the year / period:</u>			
• Amount recognised in statement of income	3.5 (A)	**948,712**	1,896,448
• Amount recognised in other comprehensive income	3.1	**805,329**	(401,389)
Payments during the year / period		**(1,725,451)**	(861,671)
Closing balance		**7,771,527**	7,742,937

The amounts recognised in the statement of financial position and the movements in the end of service obligation over the year are as follows:

	December 31, 2018	December 31, 2017
Balance at the beginning of the year / period	**7,742,937**	7,109,549
Current service cost	**690,833**	1,645,355
Past service cost	-	-
Interest expense	**257,879**	251,093
Re-measurements due to actuarial loss	**805,329**	(401,389)
Benefits paid	**(1,725,451)**	(861,671)
Balance at the end of the year / period	**7,771,527**	7,742,937

(All amounts in Saudi Riyals unless otherwise stated)

13.1 Key actuarial assumptions

	December 31, 2018	December 31, 2017
End of service benefits:		
Discount rate	**4.25%**	3.75%
Salary growth rate	**3.25%**	3.25%
Weighted average duration of liability (in years)	**6.25**	6.26

13.2 Sensitivity analysis for actuarial assumptions

December 31, 2018	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
End of service benefits:				
Discount rate	**5.25%**	**3.25%**	**(441,294)**	**496,201**
Salary growth rate	**4.25%**	**2.25%**	**536,410**	**(485,245)**
Mortality	**10%**	**10%**	**240**	**(242)**
Attrition rate	**10%**	**10%**	**(61,570)**	**65,397**

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 employees' EOSB.

13.3 Expected maturity

Expected maturity analysis of undiscounted end of service benefits is as follows:

December 31, 2018	Less than a year	1 - 2 years	2 - 5 years	Over 5 years	Total
1,725,451	**2,262,846**	**1,932,669**	**4,652,871**	**1,381,250**	**11,955,087**

14 Share capital

The authorized and paid-up share capital of the Company as at December 31 comprise of 200,000 shares at a nominal value of SR 1,000 per share. Bank AlBilad has a 100% direct ownership interest in the Company.

The Company's ownership structure is set out below:

Shareholder	Country of origin		December 31, 2018	December 31, 2017
Bank AlBilad	Saudi Arabia	Number of shares	**200,000**	200,000
		Share capital (SR)	**200,000,000**	200,000,000

15 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws, a minimum of 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the share capital. This reserve is not available for distribution to the shareholder of the Company.

16 Contingencies and commitments

Bank AlBilad has issued, on the Company's behalf, letter of guarantee amounting to SR 100 million (2017: SR 100 million), in favour of the Saudi Stock Exchange (Tadawul) which is outstanding at the reporting date.

17 Dividend income

This dividend income represents dividends from equity shares portfolio and mutual funds.

(All amounts in Saudi Riyals unless otherwise stated)

18 General and administrative expenses

	Note	For the year ended December 31, 2018	For the period from July 10, 2017 to December 31, 2017
Provision for claims and write-off	18.1	**7,653,740**	-
Premises expenses		**3,252,295**	3,293,112
Legal and consultation		**2,585,120**	1,994,062
Outsourcing services fees	20.1	**2,500,000**	1,189,516
Subscription for services		**2,317,582**	1,146,041
Board of Directors expenses		**2,207,816**	655,160
Depreciation	8	**1,428,206**	-
Amortisation	9	**1,173,753**	-
Communication expenses		**1,133,942**	501,109
Software license maintenance fees		**1,072,177**	30,638
Advertisement and marketing		**1,033,304**	143,956
Others		**2,949,084**	614,728
		29,307,019	9,568,322

18.1 Provision for claims and write-off

	Notes	For the year ended December 31, 2018	For the period from July 10, 2017 to December 31, 2017
Assets management business – claims	18.1.1	**6,153,740**	-
Investment banking transactions – write-off	18.1.2	**1,500,000**	-
		7,653,740	-

18.1.1 The Company had three murabaha private placement contracts worth SR 2.2 billion with a customer during 2015 having maturity during 2016 where in the management fees were calculated based on special rates. Management fees of SR 2,453,554 were applied until the maturity of the contract and management fees were accrued proportionately during until the period until February 2016. In February 2016, the customer requested for an early settlement by breaking the murabaha contract. The new management fees have been applied equivalent to SR 8,613,526, and the net amount was paid to the customer account in 2016. The proportionate revenue accrual until February 2016 was equivalent of SR 2,022,630 and the difference between accrued fees and revised fees was considered to make a provision of SR 6,590,896 in April 2018. On November 4, 2018, the Company was imposed a fine by the Capital Market Authority (CMA) amounting to SR 100,000 for breaching the CMA's regulations. In addition, theCMA has requested the Company to take appropriate corrective action amounting to SR 6,153,740 and notify CMA for the action taken.

18.1.2 The Company was appointed by a customer as sell side advisory for a project and signed an engagement contract on October 30, 2016. The Company completed the work during 2017 and issued the invoice on March 27, 2017. However, after several follow-ups with the customer to settle the payments, the management of the Company decided to write-off the receivables in October 2018 since the outstanding receivables were more than one year. Any future collections from the customer will be accounted for accordingly.

(All amounts in Saudi Riyals unless otherwise stated)

19 Impairment charge for investments and other financial assets, net

	For the year ended December 31, 2018	For the period from July 10, 2017 to December 31, 2017
Opening balance	60,304	-
Charge for the year / period	533,146	-
Reversal during the year / period	(60,304)	-
Closing balance	533,146	-

20 Related party transactions and balances

In the ordinary course of business, the Company transacts with its related parties. The principal related parties of the Company are Bank AlBilad, investment funds managed by the Company, its associate and companies owned by members of the Board of Directors.

The Company has also outsourced certain services to the Bank AlBilad as per a Service Level Agreement dated May 14, 2008 amended on February 5, 2013 and May 21, 2017. The outsourced services include finance, accounting, legal and Shariah, information technology, risk management, human resources, internal audit, administration and other support services. The costs are agreed and allocated based on the terms of the said agreement and payable annually in arrears.

The details of transactions during the year ended December 31, 2018 and balances as at December 31, 2018 resulting from such transactions are as follows:

(All amounts in Saudi Riyals unless otherwise stated)

20.1 Related party transactions

	For the year ended December 31, 2018	For the period from July 10, 2017 to December 31, 2017
a) Bank AlBilad – Parent Company:		
Short-term murabaha financing (*)	**180,000,000**	250,000,000
Repayment of short-term murabaha financing	**(250,000,000)**	(100,000,000)
Asset management income	**1,454,414**	368,620
Outsourced services at a fixed annual fee (note 18)	**2,500,000**	1,189,516
Rent and premises related expenses	**430,423**	972,840
Investment banking income	**-**	245,316
Income from murabaha deposits with banks	**834,465**	235,681
Custody revenue from Sukuk	**120,000**	120,000
Letter of guarantee commission expense	**137,500**	60,390
Special commission expenses on short-term murabaha financing	**7,339,949**	2,574,490
Transfers of property and equipment and intangible assets, net	**10,017,895**	-
b) ABIC Makkah Hospitality Fund – an associate:		
Asset management services income	**-**	2,825,337
Subscription fee	**-**	8,700,000
c) Investment funds:		
Asset management services income from private funds	**34,012,067**	-
Subscription fee from private funds	**3,909,439**	-
Dividends from private funds	**5,432,523**	-
Asset management services income from public funds	**13,228,398**	11,528,313
Subscription fee from public funds	**142,609**	13,109
Dividends from public funds	**155,715**	-
d) Board of Directors and Companies owned by Directors / Direct relations		
Margin financing	**49,999,145**	10,777,800
Board of Directors' remunerations	**1,703,500**	-
Margin financing income	**1,548,758**	103,425
Brokerage commission income	**136,915**	7,139

(*) At December 31, 2018, all murabaha deposits are placed with banks with maturities from 1 to 12 months (2017: from 1 to 12 months) and carry profit rates ranging between 3% to 3.5% per annum (2017: 0.8% to 2% per annum).

(All amounts in Saudi Riyals unless otherwise stated)

20.2 Related party balances

	December 31, 2018	December 31, 2017
a) Bank AlBilad – Parent Company:		
Bank balances	**19,036,551**	150,129,187
Management fee receivables	**-**	346,953
Short-term murabaha financing (note 10)	**(180,000,000)**	(250,000,000)
Payable to the Bank AlBilad (*) (note 11)	**(129,168,565)**	(116,634,457)
Accrued special commissions expenses on short term murabaha financing	**(248,437)**	(984,076)
Outstanding letter of guarantee issued on behalf of the Company (note 16)	**(100,000,000)**	(100,000,000)
b) ABIC Makkah Hospitality Fund – an associate:		
Amount due from an associate (note 7)	**-**	5,318,481
c) Investment funds:		
Available for sale investments	**-**	26,579,975
Management fee receivable	**22,470,179**	13,585,924
Investments held at FVSI	**25,281,396**	-
d) Board of Directors and Companies owned by Directors		
Margin financing outstanding	**49,999,145**	10,777,800
Margin financing income receivable	**1,548,758**	182,405

(*) Payable to Bank AlBilad is in respect of expenses paid by Bank AlBilad on behalf of the Company. This balance carries no commission and has no fixed maturity date.

21 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value commission rate risk), credit risk, liquidity risk and operational 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.

Financial instruments carried on the statement of financial position include cash and bank balances, investments held at FVSI, investments held at FVOCI, investments held at amortised cost, margin financing, other assets, short-term murabaha financing, accruals and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

Risk management responsibilities are held as follows:

Business Unit Management: Primarily responsible for risk management. The process of assessing, evaluating and measuring risk is ongoing and is integrated into the day-to-day activities of the business. This process includes implementing the Company's risk management framework, identifying issues and taking remedial action where required. Business unit management is also accountable for reporting to the governance bodies within the Company.

Risk Function: Primarily accountable for risk management reporting, providing oversight and independent reporting to management and the Board.

Internal Audit Function: Provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and risk governance structures, and reports to the Board through the Company's Audit Committee.

Compliance and AML Function: Responsible for monitoring and assessment of business compliance with CMA Prudential Rules, including Anti Money Laundering & Counter terrorist financing regulations.

The Company has exposure to the following risks arising from financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

21.1 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 / commission rates.

a) **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 principally in Saudi Riyals. Transactions in other foreign currencies are not material.

b) **Price risk** is the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than as a result of foreign currency and commission rate movements), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Exposure
The Company is exposed to price risk with respect to its investments in equity shares and mutual fund units classified as FVOCI and FVSI respectively.

Sensitivity
Due to 10% change in the NAV of the mutual fund units, as at December 31, 2018, with all other variables held constant, the income and equity for the year would be higher / lower by SR 5.7 million (2017: SR 4.6 million).

Due to 10% change in the value of equity shares, as at December 31, 2018, with all other variables held constant, the income and equity for the year would be higher / lower by SR 1,246,758 (2017: SR 2,001,891).

c) **Cash flow and fair value commission rate risk** is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial positions and cash flows.

Exposure
The Company's commission rate risks arise mainly from its bank balances, margin financing and short-term murabaha financing. The Company on a regular basis monitors changes in the commission rates and acts accordingly. The Company's receivable from margin financing includes only fixed commission rate instruments.

The Company's fixed rate receivables (all murabaha contracts and fixed rate margin financing contracts) are carried at amortised cost and are therefore not subject to commission rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of changes in market commission rates.

Sensitivity
With a 10% change in the underlying SIBOR with all the variables held constant, the income / cash flows for the year will increase / decrease as follows:

Cash and bank balances	- 10% change in SAIBOR	SR - 483,584
Margin financing	- 10% change in SAIBOR	SR - 1,538,608
Short-term murabaha financing	+ 10% change in SAIBOR	SR + 733,995

(All amounts in Saudi Riyals unless otherwise stated)

Commission rate risk	**Within 3 months**	**3-12 months**	**Over 1 year**	**Non commission bearing**	**Total**
December 31, 2018					
Assets					
Cash and bank balances	**359,610,218**	**-**	**-**	**5,000**	**359,615,218**
Margin financing	**85,226,228**	**149,447,436**	**-**	**-**	**234,673,664**
Investments held at FVSI – current	**-**	**-**	**-**	**25,281,396**	**25,281,396**
Investments held at FVOCI – current	**-**	**-**	**-**	**1,133,416**	**1,133,416**
Other assets	**-**	**-**	**-**	**48,041,072**	**48,041,072**
Investments held at FVSI – non-current	**-**	**-**	**-**	**178,351,400**	**178,351,400**
Investments held at amortised cost	**-**	**-**	**4,294,774**	**-**	**4,294,774**
Total financial assets	**444,836,446**	**149,447,436**	**4,294,774**	**252,812,284**	**851,390,940**
Short-term murabaha financing	**150,248,437**	**30,000,000**	**-**	**-**	**180,248,437**
Accrued and other current liabilities	**-**	**-**	**-**	**156,048,479**	**156,048,479**
Total financial liabilities	**150,248,437**	**30,000,000**	**-**	**156,048,479**	**336,296,916**
Cumulative mismatch as a percentage of total liabilities					**149%**

Commission rate risk	**Within 3 months**	**3-12 months**	**Over 1 year**	**Non commission bearing**	**Total**
December 31, 2017					
Assets					
Cash and bank balances	210,172,520	-	-	10,000	210,182,520
Margin financing	72,087,919	302,951,150	-	-	375,039,069
Investments in an associate	-	-	-	174,569,456	174,569,456
Available for sale (AFS) investments	-	-	-	47,787,275	47,787,275
Other assets	-	-	-	28,129,049	28,129,049
Total financial assets	282,260,439	302,951,150	-	250,495,780	835,707,369
Short-term murabaha financing	-	٢50,948,076	-	-	٢50,948,076
Accrued and other current liabilities	-	-	-	129,179,362	129,179,362
Total financial liabilities	-	٢50,948,076	-	129,179,362	380,127,438
Cumulative mismatch as a percentage of total liabilities					115%

21.2 Credit risk

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

Exposure
The placements are with Bank AlBilad, which has investment grade credit ratings and is a related party. The accrued income mainly relates to amounts due because of asset management services and is settled within a short period. The receivables relate to margin financing trading portfolios and have adequate coverage ratios. The portfolios are closely monitored and any margin calls or liquidations are performed at predefined thresholds as and

(All amounts in Saudi Riyals unless otherwise stated)

when needed to ensure that the Company's exposure is sufficiently collateralized. The maximum credit exposure equals the carrying amount of the placements and other assets.

21.2.1 Credit quality analysis

The following table sets out the credit analysis for financial assets:

	Investment grade	Non-investment grade	Unrated	Total
December 31, 2018				
Financial assets				
Cash and bank balances	**359,615,218**	-	-	**359,615,218**
Margin financing	-	-	**234,673,664**	**234,673,664**
Investments held at FVSI – current	**25,281,396**	-	-	**25,281,396**
Investments held at FVSI – non-current	**178,351,400**	-	-	**178,351,400**
Investment held at amortised cost	**4,294,774**	-	-	**4,294,774**
Other assets	-	-	**46,485,796**	**46,485,796**
Total	**567,542,788**	-	**281,159,460**	**848,702,248**

	Investment grade	Non-investment grade	Unrated	Total
December 31, 2017				
Financial assets				
Cash and bank balances	210,182,521	-	-	210,182,521
Margin financing	-	-	375,039,069	375,039,069
Investments in an associate	174,569,456	-	-	174,569,456
Available for sale (AFS) Investments	47,787,275	-	-	47,787,275
Other assets	-	-	25,583,736	25,583,736
Total	432,539,252	-	400,622,805	833,162,057

At December 31, the credit risk exposure for receivable against margin financing by geographic region is as follows:

	December 31, 2018	December 31, 2017
Saudi Arabia	**234,673,664**	375,039,069

At December 31, the credit risk exposure for receivables against margin financing by type of customer is as follows:

	December 31, 2018	December 31, 2017
Corporate customers	**139,938,620**	177,266,171
Retail customers	**94,735,044**	197,772,898
	234,673,664	375,039,069

At December 31, 2018, the carrying amount of exposure to Company's most significant customer was SR 139.6 million (December 31, 2017: SR 127 million).

(All amounts in Saudi Riyals unless otherwise stated)

21.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

The Company's liquidity management process is as follows:

a. Day-to-day funding, managed by Finance department to ensure that requirements can be met and this includes replenishment of funds as they mature or are invested
b. Monitoring balance sheet liquidity ratios against internal and regulatory requirements
c. Managing the concentration and profile of debt maturities
d. Liquidity management and asset and liability mismatching.

The following analyses the Company's financial liabilities into relevant maturity groupings based on the remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2018	**Less than 1 year**	**Total**
Accrued and other current liabilities	**156,048,479**	**156,048,479**
Short-term murabaha financing	**180,248,437**	**180,248,437**
	336,296,916	**336,296,916**
December 31, 2017		
Accrued and other current liabilities	129,179,362	129,179,362
Short-term murabaha financing	250,948,076	250,948,076
	380,127,438	380,127,438

21.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Company's activities either internally or externally at the Company's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

Operational risk is a distinct risk category which the Company manages within acceptable levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels. The objective in managing operational risk is to ensure control of the Company's resources by protecting its assets and minimising the potential for financial loss.

The Company's risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with operations. The management of operational risk has a key objective of minimising the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (unexpected) loss.

22 Capital risk management

The objective of managing capital is to safeguard the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to its shareholder by pricing products and services commensurate with the level of risk. It is the policy of the Company to maintain adequate capital base so as to maintain investor, creditor and market confidence and to support future development of the business. The Company's capital base sufficiently covers all material risks meeting the minimum capital requirement and the Company intends to maintain a healthy capital ratio to cater future business growth. For capital adequacy working, refer to note 22.1.

22.1 Capital Adequacy

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

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

Amounts in SR'000s	**December 31, 2018**	**December 31, 2017**
Capital Base:		
Tier 1 Capital	512,286	443,886
Tier 2 Capital	-	2,461
Total Capital Base	**512,286**	**446,347**
Minimum Capital Requirement:		
Market Risk	-	1,237
Credit Risk	221,297	245,594
Operational Risk	23,852	19,084
Total Minimum Capital Required	**245,149**	**265,915**
Capital Adequacy Ratio:		
Total capital ratio (time)	**2.09**	**1.68**
Surplus in capital	**267,137**	**180,432**

Capital base of the Company comprise of:

- Tier-1 capital consists of paid-up share capital, retained earnings, reserves and adjustments towards intangible asset and fair value adjustments for OCI and remeasurement reserve for employee's EOSB as per Article 4 of the Rules.

- There is no Tier-2 capital for the year ended December 31, 2018.

The Minimum Capital Requirements for market, credit & operational risk are calculated as per the requirements specified in Part 3 of the Rules. The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.

Certain information as required by Pillar III of the Prudential Rules will be made available to the public on the Company's website http://www.albilad-capital.com, however, this information is not subject to review or audit by the external auditors of the Company.

23 Fair value estimation

As at December 31, 2018 and 2017, the fair values of the Company's financial instruments are estimated to approximate their carrying values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary 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.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia, including the level in the fair value hierarchy in which such valuations should be classified.

(All amounts in Saudi Riyals unless otherwise stated)

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

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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

December 31, 2018	Carrying value	Fair value Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value					
Cash and bank balances	359,615,218	-	-	359,615,218	359,615,218
Margin financing	234,673,664	-	-	234,673,664	234,673,664
Other assets	48,041,072	-	-	48,041,072	48,041,072
Investments held at amortised cost	4,294,774	-	-	4,294,774	4,294,774
Financial assets measured at fair value					
Investments held at FVSI – current	25,281,396	-	3,876,495	21,404,901	25,281,396
Investments held at FVSI – non-current	178,351,400	-	-	178,351,400	178,351,400
Investments held at FVOCI	1,133,416	1,133,416	-	-	1,133,416
	851,390,940	1,133,416	3,876,495	846,381,029	851,390,940
Financial liabilities not measured at fair value					
Short-term murabaha financing	180,248,437	-	-	180,248,437	180,248,437
Accrued and other current liabilities	156,048,479	-	-	156,048,479	156,048,479
	336,296,916	-	-	336,296,916	336,296,916

(All amounts in Saudi Riyals unless otherwise stated)

	Carrying	Fair value			
December 31, 2017	**value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value					
Cash and bank balances	210,182,520	-	-	210,182,520	210,182,520
Margin financing	375,039,069	-	-	375,039,069	375,039,069
Other assets	28,129,049	-	-	28,129,049	28,129,049
Financial assets measured at fair value					
Investments in an associate	174,569,456	-	-	174,569,456	174,569,456
Available for sale (AFS) investments	47,787,275	1,819,901	3,916,975	42,050,399	47,787,275
	835,707,369	1,819,901	3,916,975	829,970,493	835,707,369
Financial liabilities not measured at fair value					
Short-term murabaha financing	250,948,076	-	-	250,948,076	250,948,076
Accrued and other current liabilities	129,179,362	-	-	129,179,362	129,179,362
	380,127,438	-	-	380,127,438	380,127,438

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 December 31, 2018 and 2017, there were no transfers into or out of Level ٣ fair value measurements.

The fair values of financial position financial instruments not measured at fair value are not significantly different from the carrying values included in the financial statements. The fair values of cash and bank balances, margin financing other assets and sukuk investments which are carried at amortized cost, are not significantly different from the carrying values included in the financial statements, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates, and due to the short duration of financial instrument. An active market for these instruments is not available and the Company intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

23.1 Fair valuation techniques

The following tables show the valuation techniques used in measuring Level 2 fair values.

Description	**Valuation techniques**	**Unobservable inputs**
Investments held at FVSI – current – GCC Ithmar Fund	Fair value of net assets	Fair value of equity shares

The following tables show the valuation techniques used in measuring Level 3 fair values.

Description	**Valuation techniques**	**Unobservable inputs**
Investments held at FVSI – current – mutual funds	Fair value of net assets	Fair value of real estate property
Investments held at FVSI – non-current – ABIC Makkah Hospitality Fund	Independent and qualified valuer	Fair value of real estate property
Inter-relationship between significant observable inputs and fair value measurement.	The estimated fair value would increase (decrease) if there is a change in the inputs used for valuation.	

24 Financial instruments by category

All financial assets and financial liabilities for the years ended December 31, 2018 and 2017, are classified under amortised cost category except for investments held at FVSI and FVOCI, which are classified and measured at fair value.

25 Assets under management and custody

Assets held in trust in a fiduciary capacity are not treated as assets of the Company and accordingly are not included in the Company's financial statements. The outstanding assets under management at the end of the year including public mutual funds and discretionary portfolios amounted to SR 6.5 billion (2017: SR 6.6 billion). In addition to this an amount of SR 1.004 billion (2017: SR 1.1 billion) has been maintained as customer deposits with Bank AlBilad. The assets under custody services at the end of the year amounted to SR 105.8 billion (2017: SR 16.31 billion).

26 Subsequent events

There have been no significant events after the date of the statement of financial position except on February 17, 2019, which there was a fire on third floor of parking lot of Jabal Omar project (ABIC Makkah Hospitality Fund) and the fire did not result in any injury, operation halt or substantial loss and had no impact of the financial statements.