ALJAZIRA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019
together with the
INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

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Independent Auditor's Report

To the Shareholder of AlJazira Capital Company

Opinion

We have audited the consolidated financial statements of AlJazira Capital Company ("the Company"), and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements.

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, Board of Directors, is responsible for overseeing the Group's financial reporting process.

KPMG Al Fozan & Partners Certified Public Accountants, a registered company in the Kingdom of Saudi Arabia, and a non-partner member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.

Independent Auditor's Report

To the Shareholder of AlJazira Capital Company (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 of AlJazira Capital Company ("the Company") and its subsidiary ("the Group").

For KPMG Al Fozan & Partners
Certified Public Accountants

كي بي ام جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
س.ت.م رقم ٤٦
C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

Khalil Ibrahim Al Sedais
License No: 371

Date: 4 Shaban 1441
Corresponding to: 29 March 2020

ALJAZIRA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(Saudi Arabian Riyals in thousands)

	Notes	***2019***	*2018*
ASSETS			
Current assets			
Cash and cash equivalents	*5*	**20,552**	537
Investments	*6*	**278,931**	32,342
Margin finance receivables	*7*	**1,300,298**	1,307,629
Investment in real estate properties	*8*	**13,050**	18,935
Prepayments and other current assets	*9*	**48,776**	45,215
Total current assets		**1,661,607**	1,404,658
Non-current assets			
Investments	*6*	**31,045**	30,660
Property and equipment, net	*10*	**25,830**	31,194
Intangible assets, net	*11*	**6,392**	9,113
Right-of-use assets, net	*12*	**29,686**	--
Deferred tax asset, net		**350**	458
Total non-current assets		**93,303**	71,425
TOTAL ASSETS		**1,754,910**	1,476,083
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	*13*	**651,371**	505,824
Due to related parties	*29*	**167,143**	90,783
Accrued expenses and other current liabilities	*14*	**18,797**	15,108
Accrued zakat and income tax	*15*	**31,774**	31,994
Lease liability relating to right-of-use assets		**4,941**	--
Subsidiary's equity obligations	*3(c)*	**8,718**	9,798
Total current liabilities		**882,744**	653,507
Non-current liabilities			
Employees' end of service benefits	*16*	**42,548**	43,168
Lease liability relating to right-of-use assets		**22,779**	--
Total non-current liabilities		**65,327**	43,168
TOTAL LIABILITIES		**948,071**	696,675
Equity			
Share capital	*17*	**500,000**	500,000
Statutory reserve		**95,019**	92,442
Retained earnings		**198,275**	173,806
Fair value reserve	*6*	**13,545**	13,160
Total equity		**806,839**	779,408
TOTAL LIABILITIES AND EQUITY		**1,754,910**	1,476,083
Commitments	*18*		

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements.

ALJAZIRA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2019
(Saudi Arabian Riyals in thousands)

	Notes	***2019***	*2018*
REVENUES			
Brokerage fees, net	*19*	**55,130**	68,038
Asset management fees, net	*20*	**45,871**	42,895
Margin finance income		**69,968**	72,091
Investment banking services fees		**3,908**	4,890
Custody services fees		**3,336**	1,704
Trading income / (loss), net	*21*	**6,630**	(10,739)
Special commission income		**1,159**	228
Dividend income		**343**	2,958
(Loss) / gain on disposal of real estate properties		**(350)**	2
Other operating income		**706**	2,204
Total revenues		**186,701**	184,271
EXPENSES			
Salaries and employee related expenses		**84,056**	82,746
Rent and premises related expenses	*22*	**1,679**	8,825
Depreciation on property and equipment	*10*	**5,941**	6,439
Depreciation on right-of-use assets	*12*	**5,571**	--
Amortisation on intangible assets	*11*	**3,008**	3,223
General and administrative expenses	*23*	**41,968**	38,511
Write down on valuation of real estate properties	*8*	**1,045**	1,654
Special commission expense		**15,106**	13,114
Total operating expenses		**158,374**	154,512
Operating income for the year		**28,327**	29,759
Other expense		**(9)**	(2)
Net income for the year before zakat and income tax		**28,318**	29,757
Zakat and income tax	*15*	**(3,632)**	(3,883)
Net income for the year after zakat and income tax		**24,686**	25,874
Increase in subsidiary's equity obligations	*3(c)*	**1,080**	6,230
Net income for the year		**25,766**	32,104
Basic and diluted earnings per share (expressed in SAR per share)	*24*	**0.52**	0.64

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements.

ALJAZIRA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019
(Saudi Arabian Riyals in thousands)

	Notes	***2019***	*2018*
Net income for the year		**25,766**	32,104
Other comprehensive income			
Items that will not be reclassified to consolidated statement of income			
Net gain / (loss) on investment in equity instruments designated at fair value through other comprehensive income	*6*	**385**	(17,290)
Re-measurements of provision for employees' end of service benefits	*16*	**1,280**	777
Other comprehensive income / (loss) for the year		**1,665**	(16,513)
Total comprehensive income for the year		**27,431**	15,591

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements.

ALJAZIRA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019
(Saudi Arabian Riyals in thousands)

	Equity attributable to Company's shareholder				
	Share capital	**Statutory reserve**	**Retained earnings**	**Fair value reserve**	**Total**
Balance as at 1 January 2018	500,000	89,232	144,135	30,450	763,817
Net income for the year	--	--	32,104	--	32,104
Other comprehensive income	--	--	777	(17,290)	(16,513)
Total comprehensive income	**--**	**--**	**32,881**	**(17,290)**	**15,591**
Transfer to statutory reserve	**--**	3,210	(3,210)	**--**	--
Balance at 31 December 2018	**500,000**	**92,442**	**173,806**	**13,160**	**779,408**
Balance at 1 January 2019	**500,000**	**92,442**	**173,806**	**13,160**	**779,408**
Net income for the year	**--**	**--**	25,766	**--**	**25,766**
Other comprehensive income	**--**	**--**	1,280	385	**1,665**
Total comprehensive income	**--**	**--**	**27,046**	**385**	**27,431**
Transfer to statutory reserve	--	2,577	(2,577)	**--**	**--**
Balance at 31 December 2019	**500,000**	**95,019**	**198,275**	**13,545**	**806,839**

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements.

ALJAZIRA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019
(Saudi Arabian Riyals in thousands)

	Notes	***2019***	*2018*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year after zakat and income tax		**25,766**	25,874
Adjustments to reconcile net income for the year to net cash generated from / (used in) operating activities:			
Depreciation on property and equipment	*10*	**5,941**	6,439
Depreciation on right-of-use assets	*12*	**5,571**	--
Amortisation	*11*	**3,008**	3,223
Unrealised gain on investments	*21*	**(6,413)**	(2,468)
Loss / (gain) on disposal of property and equipment, net		**8**	(2)
Provision for employees' end of service benefits	*16*	**5,483**	5,448
Finance cost related to lease liabilities		**1,573**	--
Zakat and income tax charge		**3,632**	3,883
		44,569	42,397
Changes in operating assets and liabilities:			
Investments		**(240,176)**	50,247
Margin finance receivables		**7,331**	18,052
Investment in real estate properties		**5,885**	4,159
Prepayments and other current assets		**(6,371)**	(12,497)
Due to related parties		**76,360**	67,365
Accrued expenses and other current liabilities		**3,689**	(7,775)
		(108,713)	161,948
Employees' end of service benefits paid	*16*	**(4,823)**	(5,799)
Zakat paid	*15*	**(3,744)**	(774)
Net cash (used in) / generated from operating activities		**(117,280)**	155,375
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment, net	*10*	**(336)**	(471)
Purchase of intangible assets	*11*	**(539)**	(1,833)
Proceeds from disposal of property and equipment		**3**	166
Net cash used in investing activities		**(872)**	(2,138)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short-term borrowings		**145,546**	(150,286)
Payment of lease liabilities		**(6,299)**	--
Subsidiary equity obligations		**(1,080)**	(29,654)
Net cash generated from / (used in) financing activities		**138,167**	(179,940)
Net increase / (decrease) in cash and cash equivalents		**20,015**	(26,703)
Cash and cash equivalents at beginning of the year		**537**	27,240
Cash and cash equivalents at end of the year	*5*	**20,552**	537
Non – cash items			
Net change in fair value of investments measured at fair value through other comprehensive income	*6*	**385**	(17,290)

The accompanying notes (1) through (32) form an integral part of these consolidated financial statements.

1. ORGANISATION AND ITS ACTIVITIES

1.1 AlJazira Capital Company (the "Company") is a Saudi Closed Joint Stock Company incorporated under Ministerial Resolution No. S/57 dated 20 Safar 1429H (corresponding to 27 February 2008) and was operating under commercial registration number 4030177603 dated 17 Rabi Awal 1429H (corresponding to 25 March 2008). During the year 2011, the commercial registration number of the Company was changed due to the relocation of the Head Office from Jeddah to Riyadh and it is now registered under commercial registration number 1010351313 dated 13 Dhul-Qadah 1433H (corresponding to 29 September 2012) with a Branch in Jeddah.

The Company is licensed as a financial services company regulated by the Capital Market Authority (the "CMA"). The Company is engaged in dealing, arranging, managing, advising and carrying out custody activities in accordance with the CMA Resolution no. 2-38-2007 dated 8 Rajab 1428H, corresponding to 22 July 2007 and license number 07076-37.

The Company commenced operations on 5 April 2008, by taking over the brokerage division of Bank AlJazira (the "Bank").

The registered address of the Company is:

AlJazira Capital
King Fahad Road
P.O. Box 20438
Riyadh 11455
Kingdom of Saudi Arabia

These consolidated financial statements comprise the financial statements of the Company and its subsidiary "AlJazira Residential Projects Fund" (together referred to as the "Group"). The Company's ownership percentage in AlJazira Residential Projects Fund (the "Fund") as at 31 December 2019 is 43.64% (31 December 2018: 43.64%).

The principal activity of the Fund is development and sale of land and is incorporated in the Kingdom of Saudi Arabia.

Although the Company's ownership in AlJazira Residential Projects Fund is less than 50%, it considered as subsidiary since the Company, being the fund manager, has the power to direct the financial and operational policies of this Fund, is exposed to and has rights to variable returns from the Fund and also has the ability to affect those returns through its power over the Fund.

1.2 Closure of AlJazira Residential Projects Fund

AlJazira Residential Projects Fund (the "Fund") had an original closure date of 23 January 2015, which was extendable up to 23 January 2016 by the Company in the capacity as the Fund Manager ("the Fund Manager"). The Fund Manager initially exercised such extension option and applied for a further extension of the Fund's term up to 24 July 2016, which was rejected by the CMA through its letter dated 14 Sha'aban 1437H (corresponding to 21 May 2016).

In the rejection letter, the CMA required the Fund Manager to:

- notify the unit holders of the Fund's situation and the reasons for delay in liquidation; and
- submit monthly status reports to the concerned department of the CMA.

The Fund Manager notified the unit holders through its letter dated 31 May 2016 and explained that the Fund Manager was unable to liquidate its real estate properties due to difficult market conditions and, therefore requires continuation of operations until the sale/disposal of the Fund's real estate properties.

During 2019, the unit holders of the Fund as well as the Fund Board passed resolutions to sell all remaining real estate properties and to liquidate the Fund by 31 March 2020.

(Saudi Arabian Riyals in thousands)

1. ORGANISATION AND ITS ACTIVITIES (CONTINUED)

1.2 Closure of AlJazira Residential Projects Fund (continued)

Based on the above, and subject to successful sale of all real estate properties, it is expected that the Fund will be wound up within a year from the reporting date and therefore the financial statements of Fund have not been prepared on a going concern basis. Assets of the Fund have been stated at the lower of cost and net realisable values while its liabilities are stated at the amounts at which they are expected to be discharged; this accounting treatment does not have a significant impact on these consolidated financial statements.

Assets and liabilities of the Fund, based on the Fund's audited financial statements, included in these consolidated financial statements are summarised below:

	2019	*2018*
Total assets	**16,917**	18,938
Total liabilities	**1,452**	1,555

Income and expenses for the year ended 31 December related to the Fund included in these consolidated financial statements are summarised below:

	2019	*2018*
Total revenue	**(350)**	3
Total expenses	**1,566**	1,957
Net loss for the year	**1,916**	1,954

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for measurement of investments at fair value through income statement ("FVTIS") and at fair value through other comprehensive income ("FVOCI"), using the accrual basis of accounting and the going concern concept. Further, employees' end of service benefits are measured at the present value of future obligations using the Projected Unit Method. In addition, assets of AlJazira Residential Projects Fund have been stated at the lower of cost and net realisable values, while liabilities are stated at the amounts at which they are expected to be discharged.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals ("SAR"), which is the functional and presentation currency of the Group. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.4 Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. BASIS OF PREPARATION (CONTINUED)

2.4 Critical accounting estimates and judgments (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Significant areas where management has used estimates, assumption and exercised judgments are as follows:

- Measurement of the expected credit loss allowance – notes 3(b) and 26.2
- Fair value of financial instruments – note 27
- Employees' end of service benefits – note 16
- Depreciation and amortisation – notes 3(f), 3(g), 10 and 11
- Consolidation of fund under management – note 1

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Change in accounting policy

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the adoption of IFRS 16 Leases as mentioned below.

IFRS 16 - Leases

The Group adopted IFRS 16 'Leases' the standard replaces the existing guidance on leases, 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 in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

Before 1 January 2019, the Group followed the below accounting policy for leases in which the Group was a lessee:

Operating leases
Where the Group was a lessee, rental payments were recognised as expenses in the consolidated statement of income on a straight-line method basis over the lease contract period.

Accounting policy applicable on and after 1 January 2019:
On initial recognition, at inception of the contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) *Change in accounting policy (continued)*

Right of Use Assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities for lease modifications.

The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurement of the lease liability.

Lease Liability
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

After the commencement date, Group measures the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability.
- Reducing the carrying amount to reflect the lease payments made and;
- Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The Group has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group has decided to apply the modified retrospective approach in adopting IFRS 16. In the modified retrospective approach, the comparable figures for the previous periods are not adjusted and all adjustments effects as of 1 January 2019. Upon initial application, the Group has also decided to recognise right-of-use assets corresponding to the lease liabilities with adjustment of prepaid and accrued rent to right-of-use asset. This has therefore not resulted in any impact on equity as of 1 January 2019.

Impact on the consolidated statement of financial position as at 1 January 2019:

Assets	
Right-of-use assets, net	35,999
Other assets	(2,810)
Liabilities	
Lease liability relating to right-of-use assets	33,189

(b) *Financial instruments*

Recognition and initial measurement

The Group initially recognises financial assets and financial liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTIS, 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. Transaction costs of financial assets and financial liabilities carried at FVTIS are expensed in the consolidated statement of income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) *Financial instruments (continued)*

Classification and measurement of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through income statement ("FVTIS").

Financial Asset at amortised cost

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

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

Financial Asset at FVOCI

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTIS.

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

Financial Asset at FVTIS

All other financial assets are classified as measured at FVTIS.

Associates are those entities in which the Group has significant influence, but no control or joint control, over the financial and operating policies. The Company, as the Fund Manager of its associates, qualifies for the application of the exemption of equity accounting because the business objective is similar to that of a venture capital organisation in respect of an investment entity. These investments in the funds are designated on initial recognition at FVTIS, and measured through income statement in accordance with IFRS 9 as the investments are part of a business model that is managed on a fair value basis.

Business model assessment

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Assessment whether contractual cash flows are solely payments of principal and profit

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

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodic reset of interest rates.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTIS	These assets are subsequently measured at fair value. Net gains and losses, including any special commission or dividend income, are recognised in the consolidated statement of income.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective commission rate method. The amortised cost is reduced by impairment losses. Special commission income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in consolidated statement of income.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the consolidated statement of income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the consolidated statement of income.

Reclassifications

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (continued)

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets carried at amortised cost. The Group recognises a loss allowance for such losses 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.

Details of measuring the expected credit loss allowance are provided in note 26.2 to these consolidated financial statements.

Financial liabilities

The Group classifies its financial liabilities at amortised cost unless it has designated liabilities at FVTIS.

De-recognition

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

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in consolidated statement of income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(c) Principles of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

These consolidated financial statements comprise the financial statements of the Company and its subsidiary referred to in note 1. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies.

Subsidiary's equity obligations

The subsidiary's equity obligations represent the interest of other unit holders in subsidiary funds, and are classified as current liabilities. Changes in the subsidiary's equity obligations are recorded in consolidated statement of income and presented after "net income for the year after zakat and income tax".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Principles of consolidation (continued)

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary.

When the Group ceases to consolidate an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the consolidated statement of income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or a financial asset. In addition, any amounts previously recognised in consolidated statement of other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in consolidated statement of other comprehensive income are reclassified to consolidated statement of income. In case of loss of control over subsidiary, the Group also derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of income.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank, cash in hand and short term highly liquid deposits with an original maturity of three months or less, which are available to the Group without any restrictions.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(e) Investment in real estate properties

Investment in real estate properties represents real estate properties held by a subsidiary for development and sale purposes. Investment in real estate properties are initially recognised at cost. Cost is assigned by specific identification and includes the cost which are directly attributable to acquisition, and development of real estate properties, such as development expenses, developer's fees, and the project consultant engineer's fees.

Real estate properties held for development and sale are subsequently measured at the lower of cost and net realisable value ("NRV"). NRV is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

(f) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items.

An item of property and equipment is derecognised 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 consolidated statement of income when the asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property and equipment (continued)

Subsequent expenditure are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Normal expenditures for repair and maintenance are charged to the consolidated statement of income.

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.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	Over the lease period or 24 years, whichever is shorter
Furniture, fixtures and office equipment	4-10 years
Motor vehicles	4 years

Capital work in progress is stated at cost incurred until the asset is ready for its intended use, thereafter, this cost is capitalised on the related assets. Capital work in progress is not depreciated.

(g) Intangible assets

The Group's intangible assets include acquired computer software licenses and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation on intangible assets is calculated on a straight-line basis over the estimated useful life of 4 to 6 years.

(h) Accrued expenses and other payables

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

(i) Employees' end of service benefits

The liability for employees' end of service benefits, being a defined benefit plan, is determined using the projected unit credit method with actuarial valuation being conducted at end of annual reporting periods. The related liability recognised in the consolidated statement of financial position is the present value of the end of service benefits obligation at the end of the reporting period.

The discount rate used is the market yield on government bonds at the reporting date that have maturity dates approximating the terms of the Group's obligations.

Current service cost and the interest expense arising on the end of service benefit liability are recorded in the consolidated statement of income. Re-measurement of the defined benefit liability, which comprise actuarial gains and losses are recognised immediately in the consolidated statement of other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of income over the period of borrowings using the effective commission rate method.

(k) Zakat and income tax

Zakat and income tax

Zakat and income tax is computed in accordance with the regulations of the General Authority for Zakat and Tax ("GAZT") as applicable in the Kingdom of Saudi Arabia.

Zakat and income tax is charged to consolidated statement of income and is payable to Bank AlJazira (the "Bank") who settles the zakat and income tax liability of the Company as part of its consolidated zakat and income tax return.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of asset and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Provisions

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

(m) Statutory reserve

In accordance with Companies by-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This statutory reserve is not available for distribution to shareholder.

(n) Impairment on non-financial assets

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment on non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. Impairment losses in respect of non-financial assets recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Revenue from contracts with customers

The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. The revenue is recognised when the Group transfers the services to customers at an amount that the Group expects to be entitled to in exchange for those services. The Group applies the following five-step approach to revenue recognition:

- Step 1: Identify the contract with the customer
- Step 2: Identify the separate performance obligations under the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to separate performance obligations
- Step 5: Recognise revenue when (or as) each performance obligation is satisfied

Identify the contract with the customer
The Group carefully evaluates the terms and conditions of the contracts with its customers because revenue is recognised only when performance obligations in contracts with customers are satisfied. A change in the scope or price (or both) of a contract is considered as a contract modification and the Group determines whether this creates a new contract or whether it will be accounted for as part of the existing contract.

Identify the separate performance obligations under the contract
Once the Group has identified the contract with a customer, it evaluates the contractual terms and its customary business practices to identify all the promised services within the contract and determine which of those promised services (or bundles of promised services) will be treated as separate performance obligations.

The Group assess the services promised in a contract with a customer and identifies as a performance obligation either a:

a) service that is distinct; or
b) series of distinct services that are substantially the same and that have the same pattern of transfer to the customer (i.e. each distinct service is satisfied over the time and the same method is used to measure progress).

A service (or bundle of services) is distinct if the customer can benefit from the service on its own or together with other readily available resources (i.e., the service is capable of being distinct) and the service is separately identifiable from other promises in the contract (i.e., the service is distinct within the context of the contract).

The Group provides management services to its customers which are generally provided continuously over the contract period. Accordingly, the services in these contracts generally represent a single performance obligation. Fees charged for managing mutual funds are recognised as revenue rateably as the services are provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (continued)

Determine the transaction price

The Group determines transaction price as the amount which it expects to be entitled. It includes an estimate of any variable consideration, the effect of a significant financing component (i.e., the time value of money), the fair value of any non-cash consideration and the effect of any consideration paid or payable to a customer (if any). Variable considerations are limited to the amount for which it is highly probable that a significant reversal will not occur when the uncertainties related to the variability are resolved.

Allocate the transaction price to separate performance obligations

Once the performance obligations have been identified and the transaction price has been determined, transaction price is allocated to the performance obligations, generally in proportion to their stand-alone selling prices (i.e., on a relative stand-alone selling price basis). When determining stand-alone selling prices, the Group is required to use observable information, if available. If stand-alone selling prices are not directly observable, the Group makes estimates based on information that is reasonably available.

Satisfaction of performance obligations

Revenue is recognised only when the Group satisfies a performance obligation by transferring control of a promised service to the customer. Control may be transferred over time or at a point in time. Where a performance obligation is satisfied over time, the Group identifies the progress under the contract based on either of an input or output method which best measures the performance completed to date. The method selected is applied consistently to similar performance obligations and in similar circumstances.

The Group fulfills its performance obligations in its contracts with customers at a point in time, and hence it recognises revenue as and when it fulfills its obligations under contracts with customers.

Based on the above five steps, the revenue recognition policy for each revenue stream is as follows:

i) Brokerage income

Brokerage income is recognised when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the Group is satisfied when the Group carries out the transaction, which triggers immediate recognition of the revenue, as the Group will have no further commitments.

ii) 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 Group attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Group'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.

iii) Margin finance fees

Margin finance fees are recognised based on customer utilisation of the margin finance facility at the applicable rates agreed in the contract with the customer. The fee is recognised over the life of the facility at the effective commission rate method.

iv) Advisory and investment banking services revenue

Advisory and investment banking services revenue is recognised based on services rendered under the applicable service contracts using the five-step approach to revenue recognition above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue from contracts with customers (continued)

v) Special commission income on term deposits
Special commission income for all special commission bearing financial instruments (Murabaha deposits) are recognised in the consolidated statement of income using the effective commission rate basis.

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

vii) Trading income/(loss)
Results arising from trading activities include all gains and losses from changes in fair values and disposal of investments.

(p) Expenses

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

(q) Foreign currency

Transactions in foreign currencies are translated into SAR at the exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into SAR at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are also translated into SAR at the exchange rate at the reporting date.

Foreign currency differences arising on translation are recognised in the consolidated statement of income as net foreign exchange gains or losses, except for those arising on financial instruments at FVTIS, which are recognised as a component of net gain from financial instruments at FVTIS.

(r) Assets held in trust or in a fiduciary capacity

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

(s) Offsetting

Financial assets and financial liabilities are offset and the net cash amount presented in the consolidated statement of financial position when the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of amendments and standards are effective for the period beginning on or after 1 January 2020 and earlier application is permitted; however, the Group has not early applied these new amendments and standards in preparing these consolidated financial statements and is currently assessing their impact.

Following is a brief on the new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2020:

a) IFRS 17 'Insurance Contracts' was issued by the IASB on 18 May 2017 and is effective for periods beginning on or after 1 January 2021.

b) On 31 October 2018, the IASB issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.

(Saudi Arabian Riyals in thousands)

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

c) On 26 September 2019, the IASB issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the IBOR reform could have on financial reporting. The amendments are effective annual reporting periods beginning on or after 1 January 2020.

d) Together with the revised 'Conceptual Framework' published in March 2018, the IASB also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. The amendments are effective for annual periods beginning on or after 1 January 2020.

e) On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

5. CASH AND CASH EQUIVALENTS

	Note	***2019***	*2018*
Short term deposits	*5.1*	**17,331**	--
Cash at bank – current accounts		**3,191**	486
Cash in trading account		**--**	21
Cash in hand		**30**	30
		20,552	537

5.1 Short term deposits represent amounts invested with Bank AlJazira for a period up to three months. These deposits earn special commission income which is linked to the Saudi Interbank Offer Rate (SIBOR).

6. INVESTMENTS

	Notes	***2019***	*2018*
Current			
Investments at FVTIS	*6.1*	**278,931**	32,342
		278,931	32,342
Non-current			
Investment at FVOCI	*6.2*	**31,045**	30,660
		31,045	30,660

6.1 Investments at FVTIS

The investments at FVTIS comprise of the following:

	2019	*2018*
Mutual fund units	**278,931**	24,526
Quoted equities	**--**	7,816
	278,931	32,342

6.2 Investment at FVOCI

Investment measured at FVOCI represents the Group’s 1.75 million investment (being 5% of invested share capital in AlJazira Takaful Taawuni Company – the “Investee Company”) with a total cost of SAR 17.5 million. The market value of investment is SAR 31.0 million as at 31 December 2019 (31 December 2018: SAR 30.7 million).

(Saudi Arabian Riyals in thousands)

6. INVESTMENTS (CONTINUED)

Movement of fair value reserve during the year is as follows:

	2019	*2018*
Balance at beginning of the year	**13,160**	30,450
Net change in fair value of investments	**385**	(17,290)
Balance at end of the year	**13,545**	13,160

7. MARGIN FINANCE RECEIVABLES

The Company extends margin finance facilities on a selective basis to its customers for the purpose of investing in the Saudi equity market. These facilities are extended up to a maximum period of one year and bear special commission rates based on SIBOR plus a margin.

The facilities are collateralised by underlying equities and cash held in the customers' investment accounts.

The Company has assessed the ECL on margin finance receivables and after considering the nature of these receivables, collateral available and history of defaults, the Company has concluded that no material ECL allowance is required against these receivables as at 31 December 2019 (31 December 2018: no material ECL allowance). Detailed information on ECL is in note 26.2 to these consolidated financial statements.

8. INVESTMENT IN REAL ESTATE PROPERTIES

AlJazira Residential Projects Fund acquired parcels of land located in the Eastern and Central regions of the Kingdom of Saudi Arabia for the purpose of constructing and developing residential projects.

The investment in real estate properties is carried at the lower of cost and NRV. The NRV approximates the fair value of investments in real estate properties which is based on an average of market values obtained from the two independent valuers' licensed by Taqeem. These values are impacted by the independent valuers' estimation uncertainties.

The best evidence of NRV is current prices in an active market for similar properties. Where such information is not available the Fund Manager considers information from a variety of sources including current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences. The key inputs in the valuation models are the price per square metre from current year sales of comparable properties.

The details of investments in real estate properties are summarised below:

	Cost including development expenses		**NRV**		**Lower of cost and NRV**	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*
Project location						
North Khobar	**14,095**	20,589	**13,050**	18,935	**13,050**	18,935

The title deeds of the real estate properties are registered in the name Aman for Real Estate Development and Investment Company (a subsidiary of Bank AlJazira), which acts as a custodian of the title deeds.

Movement in investment in real estate properties during the year is as follows:

	2019	*2018*
Balance as at beginning of the year	**18,935**	23,094
Disposals during the year	**(4,840)**	(2,505)
Write down of investment to NRV	**(1,045)**	(1,654)
Balance as at end of the year	**13,050**	18,935

(Saudi Arabian Riyals in thousands)

9. PREPAYMENTS AND OTHER CURRENT ASSETS

	2019	*2018*
Asset management fees receivable	**41,810**	32,710
Prepayments	**3,894**	7,821
Other assets	**3,072**	4,684
	48,776	45,215

10. PROPERTY AND EQUIPMENT, NET

	Leasehold improvement	**Furniture, fixture and office equipment**	**Motor Vehicle**	**Capital work in progress**	**Total**
Cost					
At 1 January 2018	81,110	109,519	25	9	190,663
Additions during the year	--	471	--	--	471
Transfers during the year	9	--	--	(9)	--
Disposals during the year	(162)	(81)	--	--	(243)
At 31 December 2018	80,957	109,909	25	--	190,891
Additions during the year	188	101	--	47	336
Transfers during the year	--	47	--	(47)	--
Reclassified from intangible assets	--	252	--	--	252
Disposals during the year	--	(2,130)		--	(2,130)
At 31 December 2019	**81,145**	**108,179**	**25**	**--**	**189,349**
Accumulated depreciation					
At 1 January 2018	61,742	91,570	25	--	153,337
Charge for the year	1,517	4,922	--	--	6,439
Disposals during the year	--	(79)	--	--	(79)
At 31 December 2018	63,259	96,413	25	--	159,697
Charge for the year	1,522	4,419	--	--	5,941
Disposals during the year	--	(2,119)	--	--	(2,119)
At 31 December 2019	**64,781**	**98,713**	**25**	**--**	**163,519**
Net book value as at					
31 December 2019	**16,364**	**9,466**	**--**	**--**	**25,830**
31 December 2018	17,698	13,496	--	--	31,194

11. INTANGIBLE ASSETS, NET

	2019	*2018*
Cost		
At the beginning of the year	**16,523**	14,690
Additions during the year	**539**	1,833
Reclassified to property and equipment	**(252)**	--
At the end of the year	**16,810**	16,523
Amortisation		
At the beginning of the year	**7,410**	4,187
Charge for the year	**3,008**	3,223
At the end of the year	**10,418**	7,410
Net book value	**6,392**	9,113

As at 31 December 2019 intangible assets include work in progress amounting to SAR 1.4 million (31 December 2018: SAR 1.7 million).

(Saudi Arabian Riyals in thousands)

12. RIGHT-OF-USE ASSETS, NET

	Land and buildings	**Office Equipment**	**Vehicles**	**Total**
Cost				
Adjustments on transition to IFRS 16 at 1 January 2019	35,723	36	240	35,999
Additions during the year	3,194	--	67	3,261
Impact of lease modifications – Note 12.1	(4,003)	--	--	(4,003)
At 31 December 2019	**34,914**	**36**	**307**	**35,257**
Accumulated deprecation				
Charge for the year	5,400	9	162	5,571
At 31 December 2019	**5,400**	**9**	**162**	**5,571**
Net book value as at 31 December 2019	**29,514**	**27**	**145**	**29,686**

12.1 During the year, there was a modification in respect of lease liability and right-of-use-asset due to closure of certain investment centers and changes in the lease payment terms.

13. SHORT-TERM BORROWINGS

Short-term borrowing represents a Murabaha loan facility of SAR 2 billion from Bank AlJazira to finance margin finance loans and working capital requirements. As at 31 December 2019, the amount of this facility utilised by the Company is SAR 651.4 million (31 December 2018: SAR 505.8 million). The financing carries commission at a rate of SIBOR plus an agreed spread payable at maturity. Accrued special commission on the facility as at 31 December 2019 amount to SAR 1.4 million (31 December 2018: SAR 3.8 million)

14. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Note	***2019***	*2018*
Employees related liabilities		**7,887**	7,478
Accrued expenses		**6,169**	5,218
Directors' remuneration	*29*	**1,830**	15
Other liabilities		**2,911**	2,397
		18,797	15,108

15. ACCRUED ZAKAT AND INCOME TAX

In accordance with GAZT Regulations, the Company is subject to zakat in respect of the Saudi shareholders of the Bank and to income taxes in respect of the foreign shareholders of the Bank.

In accordance with Ministerial Resolution 1005, consolidated zakat and income tax returns are filed by the Bank for Bank AlJazira Group. The Company's zakat and income tax liabilities charged in these financial statements are an allocation of Zakat and income tax liabilities of Bank AlJazira Group. These liabilities are payable by the Company to the Bank, who ultimately settles them with GAZT.

15.1 Zakat

	2019	*2018*
Adjusted net income for the year	**29,398**	35,987
Saudi share of adjusted net income for the year – zakat base	**28,311**	34,428
Zakat charge based on zakatable income for the year	**3,298**	3,443

(Saudi Arabian Riyals in thousands)

15. ACCRUED ZAKAT AND INCOME TAX (CONTINUED)

15.2 Income tax

	2019	*2018*
Current tax expense		
Adjusted net income for the year	**30,541**	35,987
Taxable income attributable to foreign shareholder	**1,130**	1,507
	226	301
Deferred tax expense		
Origination and reversal of temporary differences	**108**	139
Income tax charge for the year	**334**	440

15.3 Movement in zakat and income tax accrual

The movement during the year is as follows:

	Note	***Zakat***	***Income tax***	***Total***
31 December 2019				
At beginning of the year		31,693	301	31,994
Zakat provision for current year	*15.1*	3,298	--	3,298
Income tax provision for the year	*15.2*	--	226	226
Payments made to the Bank		(3,443)	(301)	(3,744)
At the end of the year		**31,548**	**226**	**31,774**

	Note	***Zakat***	***Income tax***	***Total***
31 December 2018				
At beginning of the year		29,024	384	29,408
Zakat provision for current year	*15.1*	3,443	--	3,443
Income tax provision for the year	*15.2*	--	301	301
Payments made to the Bank		(774)	(384)	(1,158)
At the end of the year		**31,693**	**301**	**31,994**

15.4 Status of assessments

Zakat and income tax assessments for the period ended 31 December 2008 and the years ended 31 December 2009, 2010 and 2011, for which the Company filed separate Zakat and income tax returns, have been finalised by the GAZT with an additional demand of SAR 29.9 million. Following a Higher Appeal Committee (HAC) ruling during 2016 in GAZT's favour, the Company filed an appeal with the Board of Grievances (BOG). The BOG annulled the HAC decision during 2018 and referred the matter back to the tax authorities. The Company continues to contest the additional demand with the tax authorities.

With respect to the year 31 December 2012, the GAZT issued an initial zakat and income tax assessment. The Company continues to appeal an amount of SR 0.4 million related to unsettled additional demand.

For the years ended 31 December 2013 through 2018 in accordance with Ministerial Resolution 1005, consolidated zakat and income tax returns have been filed for Bank AlJazira and the Company. The Company's zakat and income liabilities for the years 2013 through 2018 have been paid to the Bank.

(Saudi Arabian Riyals in thousands)

16. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The movement in provision for employees' benefits are as follows:

	2019	*2018*
Balance at beginning of the year	**43,168**	44,296
Current service cost	**3,720**	3,834
Special commission cost	**1,763**	1,614
Amount recognised in consolidated statement of income	**5,483**	5,448
Re-measurement (gain) loss recognised in other comprehensive income	**(1,280)**	(777)
Benefits paid during the year	**(4,823)**	(5,799)
Balance at the end of the year	**42,548**	43,168

16.1 Re-measurement (gain) / loss recognised in other comprehensive income for the year is as follows:

	2019	*2018*
Effect of change in financial assumptions	**2,593**	120
Effect of experience adjustments	**(3,873)**	(897)
Re-measurement loss recognised in other comprehensive income	**(1,280)**	(777)

16.2 Principal actuarial assumptions

The following were the principal actuarial assumptions:

	2019	*2018*
Key actuarial assumptions		
Discount rate used	**2.45%**	4.4%
Expected annual salary increment	**2.45%**	3.35%
Expected employee turnover	**8.5%**	8.5%
Demographic assumptions		
Retirement age	**60 years**	60 years

16.3 Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation are shown below:

	2019		*2018*	
	Increase	***Decrease***	*Increase*	*Decrease*
Discount rate *(1% movement)*	**(2,660)**	**3,017**	(2,934)	3,336
Future salary growth *(1% movement)*	**3,201**	**(2,873)**	3,562	(3,183)
Withdrawal rate *(10% movement)*	**(385)**	**431**	(14)	19

17. SHARE CAPITAL

The share capital is divided into 50 million shares (31 December 2018: 50 million shares) of SAR 10 each.

18. COMMITMENTS

The un-utilised margin finance loan limits as at 31 December 2019 amount to SAR 43.1 million (31 December 2018: SAR 68.8 million)

(Saudi Arabian Riyals in thousands)

19. BROKERAGE FEES, NET

The brokerage fees is reported net of expenses amounting SAR 72.9 million that are directly related to brokerage services for the year ended 31 December 2019 (31 December 2018: SAR 102.8 million).

20. ASSET MANAGEMENT FEES, NET

The asset management fees is reported net of expenses amounting SAR 12.1 million that are directly related to asset management services for the year ended 31 December 2019 (31 December 2018: SAR 12.2 million).

21. TRADING INCOME / (LOSS), NET

	2019	*2018*
Unrealised gain on investments at FVTIS, net	**6,413**	2,468
Realised gain / (loss) on investments at FVTIS, net	**217**	(13,207)
	6,630	(10,739)

22. RENT AND PREMISES RELATED EXPENSES

The Bank has various lease agreements for Bank AlJazira Group offices including the Company's Head Office and investment centers. As mentioned in note 3(a), lease payments on short-term leases and leases of low-value assets are recorded as rent expense on a straight-line basis over the lease term.

23. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	***2019***	*2018*
Technology expenses		**12,141**	12,469
Subscriptions		**4,708**	4,366
Share depository		**3,690**	3,060
Support service charges, net	*29.1*	**3,390**	3,390
Professional fees		**3,962**	3,229
Repairs and maintenance		**2,019**	2,062
Utilities		**1,318**	529
Travelling		**1,113**	909
Training and conferences		**528**	832
Others		**9,099**	7,665
		41,968	38,511

24. EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended 31 December 2019 and 31 December 2018 is calculated by dividing net income for the year by the weighted average outstanding number of shares for the year, totaling 50 million shares (31 December 2018: 50 million shares).

25. ASSETS HELD UNDER FIDUCIARY CAPACITY

Client funds are managed in a fiduciary capacity without risk or recourse to the Company. These assets are considered off balance sheet items and do not constitute part of the Company's assets. The following table summarises the fiduciary assets, as at 31 December:

	2019	*2018*
Clients' funds under management	**12.3 billion**	11.5 billion
Clients' funds under administration / brokerage	**55.4 billion**	47.0 billion

26. FINANCIAL RISK MANAGEMENT

The Group's objective in managing risk is the creation and protection of shareholder value. Risk management is an ongoing process which requires continuous identification, analysis, mitigation, monitoring of risks and controls.

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. These risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has dedicated Risk and Compliance functions. Day-to-day risk management activities are managed within each respective business unit. The Board of Directors meets on a quarterly basis and is updated on all relevant aspects of the business, including risk management matters.

The Group has exposure to the following risks arising from financial instruments:
- Market risk
- Credit risk
- Liquidity risk
- Operational risk

26.1 Market risk

a) *Foreign exchange risk*

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Group's transactions are principally in Saudi Arabian Riyals (SAR) and US Dollar (USD). As the SAR is pegged to the USD, the Group is not exposed to any significant foreign exchange risk.

b) *Commission rate risk*

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments.

The Group's only commission bearing financial instruments are margin finance receivables, short term deposits maintained with the Bank and short-term borrowings. The commission is fixed for the period for which these commission bearing financial instruments are issued or obtained. Therefore, no significant commission rate risk exists for the existing financial instruments.

c) *Price risk*

Price risk is the risk that the value of the Group's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The Group's price risk exposure relates to its investment in quoted equities and mutual funds units whose value will fluctuate as a result of changes in market prices.

The Group closely monitors the price movement of its listed financial instruments. The Investment Committee ensures that the proprietary investments are diverse and balanced, and seeks investment opportunities consistent with the investment strategy. The Investment Committee has approved limits for proprietary investments consistent with the risk appetite of the Group.

(Saudi Arabian Riyals in thousands)

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.1 Market risk (continued)

The Group manages this risk through diversification of its investment portfolio in terms of industry concentration.

The Group's investment in mutual funds is disclosed below:

	2019		*2018*	
	%	***Amount***	*%*	*Amount*
Real estate funds	**3.4**	**9,603**	45.1	11,061
Equity funds	**5.7**	**15,818**	54.9	13,465
Money market funds	**90.9**	**253,510**	--	--
	100	**278,931**	100	24,526

All the above mutual funds are incorporated in the Kingdom of Saudi Arabia.

The Group's investment in quoted equities by industry designated at FVTIS is disclosed below:

	2019		*2018*	
Industry Sector	***%***	***Amount***	*%*	*Amount*
Petrochemical	**--**	**--**	86.0	6,724
Industrial investment	**--**	**--**	7.0	549
Telecommunication and technology	**--**	**--**	7.0	543
	--	**--**	100	7,816

All the above equities are listed on the Saudi Stock Exchange (Tadawul).

The effect on the consolidated statement of income (as a result of the change in the fair value of investments as at 31 December) due to a reasonably possible change in equity indices and / or the mutual funds' net assets value, with all other variables held constant, is as follows:

		Effect on consolidated statement of income	
	Potential reasonable change %	***2019***	*2018*
Real estate funds	+/- 5%	**480**	553
Equity funds	+/- 5%	**791**	673
Money market funds	+/- 1%	**2,535**	--
Quoted equities	+/- 5%	**--**	391

The effect on the consolidated statement of other comprehensive income (as a result of the change in the fair value of investments as at 31 December) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

		Effect on consolidated statement of other comprehensive income	
	Potential reasonable change %	***2019***	*2018*
Quoted equity *(AlJazira Takaful Taawuni Company)*	+/- 5%	**1,552**	1,533

(Saudi Arabian Riyals in thousands)

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.2 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and may cause the other party to incur a financial loss. The Group is exposed to credit risk mainly arising from cash and cash equivalents, margin finance receivables and other receivables.

The Group's risk management policies and processes are designed to identify and analyse risk, to set appropriate limits and controls, and to monitor the risks and adherence to limits by means of timely and reliable management information data.

The Group's maximum exposure to credit risk without taking effect of collateral amounts is as follows:

	2019	*2018*
Cash at bank	**20,522**	507
Margin finance receivables	**1,300,298**	1,307,629
Other receivables	**44,882**	37,394
	1,365,702	1,345,530

Cash at bank and other receivables
Bank balances are maintained with banks having sound credit ratings. Other receivables represent asset management fees receivable mainly from mutual funds and portfolios management by the Company and investment banking fees receivables from corporate clients, which are considered as low credit risk by the Group.

Margin finance receivables
Lending for margin finance is done with initial coverage of at least 200%. This coverage is actively monitored and margin calls and liquidation calls are performed at specific predefined thresholds to ensure that the margin lending is sufficiently collateralised at all times. Customer portfolios are liquidated to cover the loan amounts if the collateral coverage ratio drops below the liquidation level. Even though there might be a small probability of default, the ECL results in zero impairment provision as the pledged collateral (in the form of cash or liquid securities) adequately covers the exposure. The over-collateralised nature of the exposure, coupled with the Group's monitoring process, results in a loss given default (LGD) of zero.

Given the nature and extent of the collateral pledged against the Group's margin finance receivables, the management considers the credit risk of the exposures to be minimal.

The fair value of the collateral held against margin finance receivables amounted to SAR 3,161 million as at 31 December 2019 (31 December 2018: SAR 3,736.9 million).

26.3 Liquidity risk

Liquidity risk is the risk that the Group may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. The Group maintains a Murabaha loan facility from Parent Company, Bank AlJazira to satisfy its liquidity requirements.

(Saudi Arabian Riyals in thousands)

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3 Liquidity risk (continued)

The Group's approach to managing liquidity is to ensure it always has sufficient liquidity (or access to sufficient liquidity) to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable costs or risking damage to the Group's reputation.

The contractual maturity profile of the financial assets and financial liabilities of the Group as at 31 December 2019 was as follows:

	Within 3 months	*3 to 12 months*	*More than 1 year*	*No fixed maturity*	*Total*
Cash and cash equivalents	20,552	--	--	--	20,552
Margin finance receivables	440,319	859,979	--	--	1,300,298
Investments at FVTIS	--	--	--	278,931	278,931
Investments at FVOCI	--	--	--	31,045	31,045
Other receivables	17,547	27,335	--	--	44,882
Total financial assets	**478,418**	**887,314**	**--**	**309,976**	**1,675,708**
Short-term borrowings	230,205	421,166	--	--	651,371
Due to related parties	--	167,143	--	--	167,143
Other current liabilities	9,717	2,911	--	--	12,628
Total financial liabilities	**239,922**	**591,220**	**--**	**--**	**831,142**
Net position	**238,496**	**296,094**	**--**	**309,976**	**844,566**

The contractual maturity profile of the financial assets and financial liabilities of the Group as at 31 December 2018 was as follows:

	Within 3 months	*3 to 12 months*	*More than 1 year*	*No fixed maturity*	*Total*
Cash and cash equivalents	537	--	--	--	537
Margin finance receivables	544,755	762,874	--	--	1,307,629
Investments at FVTIS	--	--	--	32,342	32,342
Investments at FVOCI	--	--	--	30,660	30,660
Other receivables	16,324	21,070	--	--	37,394
Total financial assets	**561,616**	**783,944**	**--**	**63,002**	**1,408,562**
Short-term borrowings	395,621	110,203	--	--	505,824
Due to related parties	--	90,783	--	--	90,783
Other current liabilities	7,493	2,397	--	--	9,890
Total financial liabilities	**403,114**	**203,383**	**--**	**--**	**606,497**
Net position	**158,502**	**580,561**	**--**	**63,002**	**802,065**

(Saudi Arabian Riyals in thousands)

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.3 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at year end based on contractual undiscounted repayment obligations. The contractual maturities of financial liabilities have been determined based on the remaining period at the consolidated statement of financial position date to the contractual maturity date.

31 December 2019	***Within 3 months***	***3 to 12 months***	***More than 1 year***	***No fixed maturity***	***Total***
Short-term borrowings	230,671	428,517	--	--	659,188
Due to related parties	--	167,143	--	--	167,143
Other current liabilities	9,717	2,911	--	--	12,628
Total	**240,388**	**598,571**	--	--	**838,959**

31 December 2018	***Within 3 months***	***3 to 12 months***	***More than 1 year***	***No fixed maturity***	***Total***
Short-term borrowings	396,798	112,712	--	--	509,510
Due to related parties	--	90,783	--	--	90,783
Other current liabilities	7,493	2,397	--	--	9,890
Total	**404,291**	**205,892**	--	--	**610,183**

26.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, people, technology and infrastructure supporting the Group's activities either internally or externally at the Group's service provider level 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 Group 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 of managing operational risk is to ensure control of the Group's resources by protecting the assets of the Group and minimising the potential for financial loss.

The Group's risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with operations. Qualitative and quantitative methodologies and tools are used to identify and assess operational risks and to provide management with information for determining appropriate mitigating factors. These tools include a loss database of operational risks events categorised according to CMA Prudential Rules, business lines, operational risk event types and a risk and control assessment process to analyse business activities and identify operational risks related to those activities. 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. High impact risks and issues of critical importance are reported to the Board of Directors which then set resolution priorities.

(Saudi Arabian Riyals in thousands)

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales was reported on the valuation day are valued at the most recent bid price. Investments in mutual funds are valued at the unit price prevailing on the last valuation day of the year.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When measuring the fair value the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The values of investments measured at FVTIS and FVOCI are based on quoted market prices in active markets, and are therefore classified within Level 1 in the fair value hierarchy. The Group does not adjust the quoted prices for these instruments.

Carrying value of other financial assets such as cash and cash equivalents, margin finance receivables, other receivables and financial liabilities approximate their fair value and are classified as level 3.

There were no transfers between levels of fair value hierarchy during the year ended 31 December 2019 (31 December 2018: nil).

28. FINANCIAL INSTRUMENTS BY CATEGORY

The classification of financial assets by category are included in the below table.

31 December 2019	Amortised cost	FVTIS	FVOCI
Cash and cash equivalents	20,552	--	--
Margin finance receivables	1,300,298	--	--
Investments at FVTIS	--	278,931	--
Investments at FVOCI	--	--	31,045
Other receivables	44,882	--	--
Total	**1,365,732**	**278,931**	**31,045**

(Saudi Arabian Riyals in thousands)

28. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

31 December 2018	**Amortised cost**	**FVTIS**	**FVOCI**
Cash and cash equivalents	537	--	--
Margin finance receivables	1,307,629	--	--
Investments at FVTIS	--	32,342	--
Investments at FVOCI	--	--	30,660
Other receivables	37,394	--	--
Total	**1,345,560**	**32,342**	**30,660**

As at the consolidated statement of financial position date, all financial liabilities were measured at amortised cost.

29. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company comprise of the Board of Directors and key management personnel of the Company, mutual funds under management, Bank AlJazira and its subsidiaries and affiliated companies.

29.1 Related party transactions

The significant transactions with related parties during the year were as follows:

Related party	***Notes***	***2019***	*2018*
Bank AlJazira			
Special commission income	*(a)*	**1,159**	228
Special commission expense		**13,532**	13,114
Support service charges	*(b)*	**3,390**	3,390
Rent and premises related expenses	*(c)*	**1,679**	8,825
Custody fees		**2,509**	811
Mutual funds			
Asset management fees		**32,270**	30,060
Board of Directors			
Directors remuneration	*(d)*	**1,956**	1,944
Key management personnel			
Salaries and compensation		**11,076**	10,471
End of service benefit		**643**	673

a) Special commission is earned on deposits maintained with the Bank.

b) Support service charges represent financial, administrative, logistics, legal, IT related and internal audit services as per the service agreement with the Bank.

c) Rent and premises related expenses are paid to the Bank in relation to the offices and investment centres of the Company as disclosed in note 22 of these consolidated financial statements.

d) Board of Directors remunerations amounting to SAR 2 million (2018: SAR 1.9 million) have been calculated and approved in accordance with the Company's By-Laws. Attendance fees paid to the directors, amounting to SAR 0.13 million (2018: SAR 0.13 million), are recorded under general and administrative expenses.

e) Cash and cash equivalents as disclosed in note 5 of these consolidated financial statements includes an amount of SAR 20.5 million (2018: SAR 0.49 million) maintained with Bank AlJazira which acts as the Group's banker.

(Saudi Arabian Riyals in thousands)

29. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

29.2 Balances with related parties

	2019	*2018*
Bank AlJazira		
Custody fee receivable	**225**	267
Due to related party	**166,313**	90,141
Short-term borrowings	**651,371**	505,824
AlJazira Takaful		
Due to related party	**830**	642
Mutual funds		
Investments	**278,931**	24,526
Asset management fees receivable	**37,330**	29,499
Board of directors		
Directors remuneration	**1,830**	15
Key management personnel		
Employee benefit obligations	**9,542**	9,919

30. CAPITAL ADEQUACY

The CMA has issued Prudential Rules (the "Rules") dated 17 Safar 1434H (corresponding to 30 December 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:

	2019	*2018*
Capital Base:		
Tier 1 Capital	**786,552**	756,677
Tier 2 Capital	**13,545**	13,160
Total Capital Base	**800,097**	769,837
Minimum Capital Requirement:		
Market Risk	**44,829**	11,747
Credit Risk	**341,903**	340,477
Operational Risk	**39,594**	38,628
Total Minimum Capital Required	**426,326**	390,852
Capital Adequacy Ratio:		
Total Capital Ratio (time)	**1.88**	1.97
Surplus in Capital	**373,771**	378,985

30. CAPITAL ADEQUACY (CONTINUED)

a) Capital Base of the Company comprise of:
- Tier-1 capital consists of paid-up share capital, retained earnings, reserves excluding revaluation reserves.
- Tier-2 capital consists of revaluation reserves.

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

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

31. EVENTS AFTER THE END OF REPORTING PERIOD

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally including the Kingdom of Saudi Arabia (KSA), causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, the Company does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company.

32. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements and its accompanying notes were approved by the Board of Directors' on 28 Rajab 1441H (corresponding to 23 March 2020).