Maharah for Human Resources Company and its Subsidiaries
(A Closed Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
31 December 2018

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAHARAH FOR HUMAN RESOURCES COMPANY
(A Closed Saudi Joint Stock Company)

Opinion
We have audited the consolidated financial statements of Maharah for Human Resources Company (the "Company") and its subsidiaries (together with the Company, referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018 and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in KSA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in KSA 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 IFRSs as endorsed in KSA and the provisions of the Companies' Law and 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 are responsible for overseeing the Group's financial reporting process.

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in KSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAHARAH FOR HUMAN RESOURCES COMPANY
(A Closed Saudi Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs that are endorsed in KSA, we exercise professional judgment and maintain professional skepticism 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, 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.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 12 Rajab 1440H
(19 March 2019)

Maharah for Human Resources Company and its Subsidiaries
(A Closed Saudi Joint Stock Company)
Consolidated statement of financial position
As at 31 December 2018

	Note	31 December 2018 SR	31 December 2017 (Note 6) SR	1 January 2017 (Note 6) SR
Assets				
Current assets				
Cash and cash equivalents	7	**81,693,843**	342,221,524	190,906,099
Murabaha time deposits	8	**274,000,000**	4,000,000	16,344,690
Accounts receivable	9	**150,338,277**	116,741,414	108,311,691
Contract assets	10	**37,535,712**	26,178,658	15,498,295
Prepayments and other current assets	11	**139,872,721**	46,313,962	49,652,353
Available visas	12	**29,394,000**	21,064,000	19,480,000
Total current assets		**712,834,553**	556,519,558	400,193,128
Non-current assets				
Property and equipment	15	**167,930,223**	104,577,019	92,795,357
Intangible assets – Goodwill	16	**4,450,237**	-	-
Other intangible assets	17	**5,172,137**	-	-
Equity investments at fair value through profit or loss ("FVTPL")	18	**31,991,284**	31,261,609	30,680,240
Investment in an associate	19	**18,639,605**	-	-
Cash margin against license guarantee letter	13	**-**	-	10,000,000
Total non-current assets		**228,183,486**	135,838,628	133,475,597
Total assets		**941,018,039**	692,358,186	533,668,725
Liabilities and equity				
Liabilities				
Current liabilities				
Accounts payable, accruals and others	20	**231,023,203**	162,608,892	128,090,346
Contract liabilities	10	**96,213,166**	88,323,803	54,710,423
Retained deposits		**137,035,965**	131,762,904	158,732,090
Zakat payable	21	**12,073,729**	9,470,542	10,975,623
Total current liabilities		**476,346,063**	392,166,141	352,508,482
Non-current liabilities				
Employees' end-of-service benefits	22	**35,253,000**	35,942,000	29,961,000
Total liabilities		**511,599,063**	428,108,141	382,469,482
Equity				
Share capital	23	**375,000,000**	250,000,000	100,000,000
Statutory reserve	24	**22,572,306**	20,347,320	30,000,000
Other reserves	24	**6,914,664**	3,903,318	3,431,000
Retained earnings (accumulated losses)		**26,026,014**	(9,998,855)	17,768,243
Equity attributable to the Shareholders of the Parent Company		**430,512,984**	264,251,783	151,199,243
Non-controlling interests		**(1,094,008)**	(1,738)	-
Total equity		**429,418,976**	264,250,045	151,199,243
Total liabilities and equity		**941,018,039**	692,358,186	533,668,725

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

Maharah for Human Resources Company and its Subsidiaries
(A Closed Saudi Joint Stock Company)
Consolidated statement of income
For the year ended 31 December 2018

	Note	2018 SR	2017 (Note 6) SR
Revenue	26	**1,345,097,364**	1,167,944,942
Cost of revenue		**(1,009,715,532)**	(864,765,470)
Gross profit		**335,381,832**	303,179,472
General and administration expenses	27	**(108,313,442)**	(87,267,546)
Marketing expenses	28	**(5,778,556)**	(1,615,774)
Provision for doubtful debts	9	**(11,664,716)**	(14,396,556)
Income from main operations		**209,625,118**	199,899,596
Other income	29	**21,291,370**	16,531,177
Share in net loss of an associate	19	**(119,524)**	-
Net gain on equity investments at FVTPL	18	**729,675**	581,369
Net income before zakat		**231,526,639**	217,012,142
Zakat	21	**(10,967,678)**	(8,979,558)
Net income for the year		**220,558,961**	208,032,584
Net income (loss) for the year attributable to:			
Shareholders of the Parent Company		**222,249,855**	208,080,222
Non-controlling interests		**(1,690,894)**	(47,638)
		220,558,961	208,032,584
Basic and diluted earnings per share:			
Income from main operations per share attributable to Shareholders of the Parent Company	30	**5.59**	5.33
Net income for the year per share attributable to Shareholders of the Parent Company	30	**5.93**	5.55

Maharah for Human Resources Company and its Subsidiaries
(A Closed Saudi Joint Stock Company)
Consolidated statement of comprehensive income
For the year ended 31 December 2018

	Note	2018 SR	2017 (Note 6) SR
Net income for the year		**220,558,961**	208,032,584
Other comprehensive income:			
Item that will be reclassified to consolidated statement of income:			
Cumulative currency translation (loss) gain	24	**(654)**	318
Item that will not be reclassified to consolidated statement of income:			
Re-measurements of employees' end-of-service benefits	22	**3,012,000**	472,000
Other comprehensive income for the year		**3,011,346**	472,318
Total comprehensive income for the year		**223,570,307**	208,504,902
Total comprehensive income (loss) for the year attributable to:			
Shareholders of the Parent Company		**225,261,201**	208,552,540
Non-controlling interests		**(1,690,894)**	(47,638)
		223,570,307	208,504,902

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

Maharah for Human Resources Company and its Subsidiaries
(A Closed Saudi Joint Stock Company)
Consolidated statement of changes in equity
For the year ended 31 December 2018

	Attributable to Shareholders of the Parent Company						
	Share capital SR	Statutory reserve SR	Other reserves SR	Retained earnings (accumulated losses) SR	Total SR	Non-controlling interests SR	Total equity SR
Balance as at 1 January 2017	100,000,000	30,000,000	3,431,000	17,768,243	151,199,243	-	151,199,243
Net income (loss) for the year	-	-	-	208,080,222	208,080,222	(47,638)	208,032,584
Other comprehensive income for the year	-	-	472,318	-	472,318	-	472,318
Total comprehensive income for the year	-	-	472,318	208,080,222	208,552,540	(47,638)	208,504,902
Share capital increase (note 23)	150,000,000	(30,000,000)	-	(120,000,000)	-	-	-
Transfer to statutory reserves (note 24)	-	20,347,320	-	(20,347,320)	-	-	-
Dividends (note 25)	-	-	-	(95,500,000)	(95,500,000)	-	(95,500,000)
Acquisition of partially-owned subsidiary (note 1)	-	-	-	-	-	45,900	45,900
Balance as at 31 December 2017	250,000,000	20,347,320	3,903,318	(9,998,855)	264,251,783	(1,738)	264,250,045
Net income (loss) for the year	-	-	-	222,249,855	222,249,855	(1,690,894)	220,558,961
Other comprehensive income for the year	-	-	3,011,346	-	3,011,346	-	3,011,346
Total comprehensive income for the year	-	-	3,011,346	222,249,855	225,261,201	(1,690,894)	223,570,307
Share capital increase (note 23)	125,000,000	(20,000,000)	-	(105,000,000)	-	-	-
Transfer to statutory reserves (note 24)	-	22,224,986	-	(22,224,986)	-	-	-
Dividends (note 25)	-	-	-	(59,000,000)	(59,000,000)	-	(59,000,000)
Acquisition of partially-owned subsidiary (note 1)	-	-	-	-	-	598,624	598,624
Balance as at 31 December 2018	**375,000,000**	**22,572,306**	**6,914,664**	**26,026,014**	**430,512,984**	**(1,094,008)**	**429,418,976**

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

Maharah for Human Resources Company and its Subsidiaries
(A Closed Saudi Joint Stock Company)
Consolidated statement of cash flows
For the year ended 31 December 2018

	Note	2018 SR	2017 SR
Operating activities			
Net income before zakat		**231,526,639**	217,012,142
Adjustments:			
Provision for employees' end-of-service benefits	22	**19,292,000**	18,888,000
Provision for doubtful debts	9	**11,664,716**	14,396,556
Depreciation of property and equipment	15	**9,960,271**	6,510,887
Amortization of intangible assets	17	**2,038,316**	-
Gain on disposal of property and equipment		-	(32,703)
Share in net loss of an associate	19	**119,524**	-
Net gain on equity investments at FVTPL	18	**(729,675)**	(581,369)
Earnings from Murabaha time deposits	29	**(5,359,530)**	(3,435,611)
Reversal of provision for withholding taxes	29	-	(2,578,755)
Reversal of accrued salaries no longer payable	29	**(8,328,475)**	-
		260,183,786	250,179,147
Changes in working capital:			
Accounts receivable		**(44,312,568)**	(22,826,279)
Contract assets		**(11,357,054)**	(10,680,363)
Prepayments and other current assets		**(90,686,383)**	3,338,391
Available visas		**(8,330,000)**	(1,584,000)
Cash margin against license guarantee letter		-	10,000,000
Accounts payable, accruals and others		**68,902,435**	37,143,519
Contract liabilities		**7,889,363**	33,613,380
Retained deposits		**5,273,061**	(26,969,186)
Cash generated from operations		**187,562,640**	272,214,609
Zakat paid	21	**(8,364,491)**	(10,484,639)
Employees' end-of-service benefits paid	22	**(16,969,000)**	(12,435,000)
Net cash from operating activities		**162,229,149**	249,294,970
Investing activities			
Purchase of property and equipment	15	**(71,934,655)**	(18,334,846)
Acquisition of subsidiaries		**(11,304,610)**	-
Additions to intangible assets	17	**(207,308)**	-
Acquisition of an associate	19	**(5,628,000)**	-
Deferred consideration related to acquisition of an associate	19	**(13,131,129)**	-
Non-controlling interests	31	**3,089,342**	-
Movements in Murabaha time deposits, net		**(264,640,470)**	15,780,301
Proceeds from disposal of property and equipment		-	75,000
Net cash used in investing activities		**(363,756,830)**	(2,479,545)
Financing activity			
Dividends paid		**(59,000,000)**	(95,500,000)
Cash used in financing activity		**(59,000,000)**	(95,500,000)
Net (decrease) increase in cash and cash equivalents		**(260,527,681)**	151,315,425
Cash and cash equivalents at beginning of the year	7	**342,221,524**	190,906,099
Cash and cash equivalents at end of the year		**81,693,843**	342,221,524

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

1 Corporate information and activities

Maharah for Human Resources Company (the "Company" or "Parent Company") is a Closed Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia ("KSA") under commercial registration numbered 1010364538 and dated 7 Rabi Thani 1434H (corresponding to 17 February 2013). The registered office is located at King Fahad Road, Almohamdah, Riyadh, KSA.

The Company is engaged in providing recruitment services for public and private sectors.

Following is the subsidiary included in these consolidated financial statements as at 31 December 2018 and 31 December 2017:

	Ownership %		
	31 December 2018	31 December 2017	1 January 2017
Musanid Cleaning Services	**85%**	85%	-

On 17 September 2017, the Company acquired 85% ownership of Musanid Cleaning Services (the "Subsidiary"), a Limited Liability Company registered in United Arab Emirates (UAE) (collectively with the Company referred to as the "Group") under commercial registration numbered 1304819 and dated 26 Dhul-Hijjah 1438H (corresponding to 17 September 2017). The Subsidiary is licensed in providing building cleaning services.

Effective 1 January 2018, the Subsidiary acquired a 70% ownership of TPH Center for Domestic Workers "Formerly TPH Cleaning Services" ("TPH"), a Limited Liability Company registered in UAE under commercial registration numbered 729497 and dated 25 Jumad Awal 1436H (corresponding to 16 March 2015). TPH is licensed in providing building cleaning services and residential property core services.

As at 31 December 2018, the following are the subsidiaries owned by TPH:

	Ownership %
The Perfect Help LLC (*)	100%
TPH Public Health Pest Control Services One Person Co. LLC (formerly "Missing Ingredient Cleaning Establishment") (**)	100%
MPL Building maintenance LLC (***)	100%
Yalla Fix It One Person Company LLC (****)	100%

(*) As at the date of the Subsidiary's acquisition of TPH, these entities are already 100% owned by TPH.

(**) On 1 January 2018, TPH acquired 100% shares of TPH Public Health Pest Control Services One Person Co. LLC (formerly "Missing Ingredient Cleaning Establishment") ("TPHC"), a Limited Liability Company registered in UAE under commercial registration numbered 1338526 and dated 6 Dhul-Qadah 1432H (corresponding to 4 October 2011). TPHC is licensed in providing building cleaning services and public health pests control services.

(***) On 1 January 2018, TPH acquired 100% shares of MPL Building Maintenance LLC ("MPL"), a Limited Liability Company registered in UAE under commercial registration numbered 1344621 and dated 12 Rajab 1435H (corresponding to 11 May 2014). MPL is licensed in providing building maintenance services.

(****) TPH established a wholly owned subsidiary, Yalla Fix It One Person Company LLC ("Yalla"), a Limited Liability Company registered in UAE under commercial registration numbered 1341927 and dated 7 Sha'aban 1439H (corresponding to 23 April 2018). Yalla is licensed in providing services in air conditioning, ventilations and air filtration systems installation and maintenance; electromechanical equipment installation and maintenance; plumbing and sanitary contracting; solar energy systems installation, floor and wall tiling works; painting contracting; carpentry and flooring contracting; wall paper fixing; and plaster and cladding works.

TPH also has a wholly owned subsidiary, MaidCV.com LLC Free Zone Establishment ("MaidCV"), a Free Zone Establishment registered in UAE under trade license numbered 1847/2011 and dated 5 Dhul-Qadah 1432H (corresponding to 3 October 2011). The principal activity of MaidCV is human resource consultancy. However, on 2 Safar 1440H (corresponding to 11 October 2018), MaidCV received a clearance letter which declared the cancellation of its operating license and accordingly discontinuance of its operations. The Group believes that the effects of the discontinuance is immaterial to the consolidated financial statements.

As at the reporting date, TPH is still in the process of finalizing the legal formalities of the acquisition of TPHC and MPL and establishment of Yalla.

The consolidated financial statements were authorized for issue with the resolution of the Board of Directors on 12 Rajab 1440H (corresponding to 19 March 2019).

2 Basis of preparation

Statement of compliance

These are the Group's first annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in KSA and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA").

Accordingly, IFRS 1 "First time adoption of International Financial Reporting Standards" endorsed in KSA has been applied. Refer to note (6) for further information. Significant accounting policies are described in note (5) to the consolidated financial statements.

Basis of measurement and functional currency

These consolidated financial statements are prepared under the historical cost convention except for measurement of equity investments at FVTPL that have been measured at fair value. These consolidated financial statements are presented in Saudi Arabian Riyal (SR), which is the functional currency of the Company.

3 Significant accounting estimates, assumptions and critical judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material differences in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Group used these assumptions and estimates on the basis available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Long-term assumptions for employee benefits

Employees' end-of-service benefits represent obligations that will be settled in the future and require assumptions to project obligations. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

3 Significant accounting estimates, assumptions and critical judgements (continued)

Estimates and assumptions (continued)

Impairment test of non-financial assets
Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next four to six years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

Critical judgements in applying accounting standards

The following critical judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

Determination of control and significant influence
Management's judgement in assessing control over consolidated subsidiaries:
Subsidiaries are all investees over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees.

Management's judgement in assessing significant influence over investees:
Judgement was required, particularly where the Group owns shareholding and voting rights of generally 20% and above but where the management does not believe that it has 'control' or 'joint control' over such investee.

In case of such investee, the Group's management has concluded it has 'significant influence' in line with the requirements of IFRSs as endorsed in KSA. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not 'control' or 'joint control'. IFRSs as endorsed in KSA provides various indicators of 'significant influence', including representation in the Board of Directors and participation in policymaking process.

By virtue of the Group's shareholding rights in the investee's general meetings, as well as the Group's representation on Board of Directors of such investee and the Group's involvement in operating and financial policies and decision making, management believes it has 'significant influence' over such investee ("Associate").

The Group is accounting for such investment in an associate under the equity method of accounting.

Provision for doubtful debts
The Group reviews its accounts receivable at each reporting date to assess whether a provision for doubtful debts should be recorded in the consolidated statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision. Refer to note (34) for further information.

Economic useful lives of property and equipment
The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The Group periodically reviews estimated useful lives and the depreciation method to ensure that the method and year of depreciation are consistent with the expected pattern of economic benefits derived from these assets.

4 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16: Leases

The International Accounting Standards Board ("IASB") has issued a new standard for the recognition of leases. This standard will replace:

- International Accounting Standard ("IAS") 17 – 'Leases'
- International Financial Reporting Interpretations Committee ("IFRIC") 4 – 'Whether an arrangement contains a lease'
- Standard Interpretations Committee ("SIC") 15 – 'Operating leases – Incentives'
- SIC-27 – 'Evaluating the substance of transactions involving the legal form of a lease'

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption of certain short-term leases and leases of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard has a mandatory effective date for annual periods beginning on or after 1 January 2019, with earlier application permitted. Management is currently assessing the effect of this standard on the future financial reporting periods of the Group.

Management anticipates that this new standard will be adopted in the Group's consolidated financial statements for the year when it is applicable and adoption of this new standard.

Management anticipates that IFRS 16 will be adopted for the annual year beginning 1 January 2019. The application of IFRS 16 may have an impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of the Group's lease arrangements. However, it is not practicable to provide a reasonable estimate of effects of the application of this standard until the Group completes a detailed review.

5 Summary of significant accounting policies

The significant accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below:

Basis of consolidation

Subsidiaries
Refer to note (3) for details on judgements applied by the Group in respect of determination of control.

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

Profit / loss and each component of other comprehensive income ("OCI") are attributed to the shareholders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

5 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in the consolidated statement of income; and
- reclassifies the shareholders' share of components previously recognized in OCI to consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

When the Group ceases to consolidate for an investment in a subsidiary because of a loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in the consolidated statement of income. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in OCI 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 recognized in OCI are reclassified to the consolidated statement of income.

Details of the subsidiaries are provided in note (1). This note also discloses the country of incorporation, principal activities and percentages of ownership.

Non-controlling interests

Non-controlling interests in the results and equity of subsidiary is shown separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity.

Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

5 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

Contingent (deferred) consideration

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9, Financial Instruments, is measured at fair value with the changes in fair value recognized in the consolidated statement of income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in the consolidated statement of income.

Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in an associate is accounted for using the equity method of accounting, after initially being recognized at cost.

Equity method

Equity method of accounting is used for the investment in an associate. Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in the consolidated statement of income, and the Group's share of movements in OCI of the investee in consolidated statement of comprehensive income, if any.

Dividends received or receivable from an associate is recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions, if any, between the Group and its associate are eliminated to the extent of the Group's interest in its associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill, if any, relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income outside operating income.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate. At each reporting date, the Group determines whether there is objective evidence that the investment in an associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'share in earnings' of an associate in the consolidated statement of income.

Upon loss of significant influence over an associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in OCI are reclassified to the consolidated statement of income where appropriate.

5 Summary of significant accounting policies (continued)

Foreign currencies

Presentation currency
The consolidated financial statements are presented in SR; as it is the Company's functional currency.

Transactions and balances
Foreign currency transactions are translated into SR at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income. Translation of non-monetary items depends on whether they are recognized at historical cost or at fair value. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items is measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in consolidated statement of comprehensive income or consolidated statement of income).

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

5 Summary of significant accounting policies (continued)

Fair value measurement (continued)

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained previously.

Revenue recognition

IFRS 15, Revenue from Contracts with Customers, is effective for annual periods beginning on or after 1 January 2018. The new revenue standard introduces a single principle-based five-step model for the recognition of revenue when control of a good is transferred to or a service performed for the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price, and recognize revenue when the performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers, and improves the comparability of revenue from contracts with customers. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Being a first time adopter in 2018, the Group has applied IFRS 15 retrospectively from the earliest presented period, which is 1 January 2017 (the date of transition to IFRSs as endorsed in KSA) and used certain practical expedients (as listed below).

The Group has applied following practical expedients:

- The Group does not adjust the promised amount of consideration for the effects of significant financing component where period between delivery of promised services and payment from customer is one year or less.
- For periods before the date of initial application, the Group does not provide disclosures for remaining performance obligations.
- The Group does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue for periods prior to the date of transition to IFRSs as endorsed in KSA.

The Group recognizes revenue as and when customer receives and consumes the services provided by the Group over a period of time i.e. number of days services are provided, which is in line with the requirements of IFRS 15. Accordingly there is no material effect of adopting IFRS 15 on the recognition of revenue of the Group.

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when the services are rendered to customers. Contract revenues are recognized based on manpower services provided to the customers (the services represent the performance obligation of the contract) over the terms of these agreements.

5 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Variable consideration
If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group is entitled in exchange for transferring the promised services to a customer.

The Group deals with two possible scenarios in this aspect:

- Dropouts - these are the deductions on account of worker being absent while being employed by a customer. The Group bears up to 5% deduction on account of such dropouts and recognizes revenue net of these deductions.
- Discounts - these are allowed on case to case basis and are negotiated upfront at the time of entering into contract (Step 1) of IFRS 15 model. Group recognizes revenue net of these discounts.

There was no restatement due to this change as the Group's policy is already in line with the requirements of IFRS 15.

Significant financing component
The Group adjusts the promised amount of consideration, if any, for the time value of money if the contract contains a significant financing component.

Measuring progress towards complete satisfaction of a performance obligation
For each revenue stream, the performance obligation (rendering of services) is satisfied over time, the Group applies a single method of measuring progress toward satisfaction of the obligation. The Group has selected input method as a basis to measure performance completed to date. There was no restatement due to this change as the Group's policy is already in line with the requirements of IFRS 15.

Contract costs
Contract costs are recognized as an expense unless the Group has a reasonable expectation to recover these costs from its customers and in cases where these costs are recoverable from the customers. The Group amortize these costs on a systematic basis, consistent with the transfer to the customer of the services. The Group recognizes contract costs if:

- The costs relate directly to a contract or to an anticipated contract that the Group can specifically identify.
- The costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The incremental costs of obtaining a contract with a customer is expected to recovered.
- Those costs would not have incurred if the contract had not been obtained or if an anticipated contracts has not been identified by the Group.
- The costs that directly relates to a contract (or a specific anticipated contract) includes:
  a) direct labour;
  b) direct materials;
  c) allocation costs that directly relate to the contract or to contract activities;
  d) costs that are explicitly chargeable to the customer under the contract; and
  e) other costs that are incurred only because the entity entered into the contract.

Visa and recruitment costs have been expensed out immediately as none of the above criteria have been met to capitalize those costs as contract costs. Refer to note (6) to the consolidated financial statements for further details.

Contract assets and liabilities
Under IFRS 15, when either party to a contract has performed, an entity shall present the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for services that the entity has transferred to a customer. A contract liability is an entity's obligation to transfer services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer. There have been a reclassification from unbilled revenues to contract assets and from advances from customers and unearned revenues to contract liabilities due to this change.

5 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Principal versus agent consideration
The Group has evaluated its arrangements to determine whether it is a principal, and report revenues on a gross basis, or an agent, and report revenues on a net basis. In this assessment, the Group has considered if it has obtained control of the specified services before they are transferred to the customer, as well as other indicators such as the party primarily responsible for fulfilment, inventory risk and discretion in establishing price. The Group has concluded that they are principal in all revenue arrangements. There was no restatement due to this change as the Group's policy is already in line with the requirements of IFRS 15.

Presentation and disclosure requirements
As required for the consolidated financial statements, the Group disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note (26) for the disclosure on disaggregated revenue.

Other income
Profit from Murabaha time deposits are recognized on accrual basis.

Other income is recognized when earned.

Costs and expenses

Costs which are directly related to services provided are classified as cost of revenue. Expenses which are attributable to marketing and promotional activities are classified as marketing expenses. All other indirect expenses are classified as general and administration expenses.

Zakat

The Group is subject to the Regulations of the General Authority of Zakat and Tax ("GAZT") in KSA. Zakat is provided on an accrual basis and is computed and charged based on zakat base. Adjustments if any are made to the zakat provision when the final assessments are obtained from the GAZT.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances and investments that are readily convertible into known amounts of cash and have maturity of three months or less when places.

Murabaha time deposits

Murabaha time deposits represents deposits with local commercial banks having a maturity of more than three months from the date of acquisition and expected to be realized within one year from the date of the reporting period.

Financial instruments

IFRS 9 required financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through OCI and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in OCI. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39, Financial Instruments: Recognition and Measurement, requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in OCI rather than the statement of income, unless this creates an accounting mismatch.

IFRS 9 introduced a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer required a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

5 Summary of significant accounting policies (continued)

Financial instruments (continued)

The standard has a mandatory effective date for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

The effect of adopting IFRS 9 is disclosed in note (6) to the consolidated financial statements which pertains to the new impairment requirements and reclassification of original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial instruments.

Recognition and initial measurement
A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognized in the consolidated statement of financial position when the Group becomes party to the contractual provisions of the financial instrument.

A financial instrument is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Financial assets
Classification of financial assets
On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

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

a. the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
b. 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.

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

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not a FVTPL, transaction costs that are directly attributable to its acquisition.

The Group has classified its investments in units of a mutual fund as FVTPL as these contractual cash flows are not limited to principal and interest only. The Group has not exercised irrevocable option to classify these at FVOCI as these fail the definition of equity instrument under IAS 32.

Subsequent measurement
Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in consolidated statement of income.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest rate ("EIR") method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in consolidated statement of income. Any gain or loss on derecognition is recognized in the consolidated statement of income.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the EIR method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of income. Other net gains and losses are recognized in the consolidated statement of comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of income.

5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)
Subsequent measurement (continued)
Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized 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 recognized in the consolidated statement of comprehensive income and are never reclassified to profit or loss.

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.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when: the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Expected credit loss ("ECL") assessment for accounts receivables
The Group applies IFRS 9 simplified approach for measuring ECL, which uses a lifetime expected loss allowance. The method is applied for assessing an allowance against:
- financial assets measured at amortized cost; and
- contract assets

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified Gross Domestic Product ("GDP") of KSA (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modeling into following parts: probability of default ("PD"), loss given default ("LGD"), exposure at default ("EAD"). These are briefly described below:

- LGD: This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD
- PD: the likelihood of a default over a particular time horizon
- EAD: This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities

5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)
ECL Model
The Group uses a point-in-time ("PIT") probability of default model to measure its impairment on financial assets. PIT PD models incorporate information from a current credit cycle and assess risk at a PIT. The PIT PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, you can project the cash flows and calculate the gross carrying amount, loss allowance, and amortized cost for the financial instrument.

Macroeconomic weighted average scenarios
The Group includes macroeconomic factor of GDP to develop scenarios with the realization of most likely outcome using worst and best case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for above mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on likelihood of scenarios is calculated. In the last step, a weighted average lifetime ECL based on the likelihood of the scenarios is determined.

The Group assesses its financial assets based on credit risk characteristics using segmentations such as geographical region, type of customer, customer rating, etc. The different segments reflect differences in PDs and in recovery rates in the event of default.

Definition of default
In the above context, the Group considers default when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the customer is more than 360 days past due on any material credit obligation to the Group.

The Group has rebutted the presumption that default does not occur later than when these financial assets are past due to define and assess default. This is demonstrated by past historical data where collections exceeding 70% were experienced in 360 days ageing bucket.

Specific provision
Specific provision is recognized on customer to customer basis at every respective reporting date. The Group recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Financial liabilities
Initial recognition and measurement
The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Subsequent measurement
Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of income. Other financial liabilities are subsequently measured at amortized cost using the EIR method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of income. Any gain or loss on derecognition is also recognized in the consolidated statement of income.

5 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)
Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Purchased visas and available visas

Purchased visas
Purchased visas represent the amounts paid to the government authorities against issuing manpower visas and are recorded at cost as available visa. Cost comprises all the purchase cost paid to the government authorities for securing the manpower visas.

Available visa
Available visas represent the unused balance of visas from the government. As per Saudi Law, the Group, upon its wish, may get a full refund of the cost paid to acquire the purchased visas. Available visas are classified under current assets.

Visas which are transferred from purchased visas are immediately recognized as expenses in the consolidated statement of income when issuing visas to recruited manpower.

Residential and work permits

Residential fees and work permits are amortized in the consolidated statement of income over one year in line with the validity of such permits.

Property and equipment

Property and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Expenditures on repairs and maintenance are expensed to the consolidated statement of income in the period they are incurred. Betterments that increase the value or materially extend the life of the related assets are capitalized. Leaseholds improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement and the term of the lease.

Capital work in progress ("CWIP") account are assets in the course of construction or development. CWIP is transferred to the appropriate category in property and equipment (depending on the nature of the asset), once the asset is in a location and/or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction/development cost and any other directly attributable to the construction or acquisition of an item of CWIP intended by management. Costs associated with testing the items of CWIP (prior to its being available for use) are capitalized net of proceeds from the sale of any production during the testing period. Land and CWIP are not depreciated nor amortized.

Depreciation is calculated from the date the item of depreciable property and equipment is available for its intended use. It is calculated on a straight-line basis over the useful life of the asset as follows:

	Number of years
Office equipment	4-10
Buildings	20
Vehicles	4
Furniture and fixtures	10
Leasehold improvement	10 or lease term, whichever is shorter

5 Summary of significant accounting policies (continued)

Property and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the consolidated statement of income.

Residual values, useful lives and methods of depreciation of property and equipment are reviewed on an annual basis, and adjusted prospectively, if appropriate, at each consolidated statement of financial position date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition 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 in the period when the asset is derecognized.

The carrying amounts of property and equipment is written-down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in consolidated statement of income in the period in which the expenditure is incurred.

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

Amortization is calculated from the date the when the intangible assets are available for its intended use. It is calculated on a straight-line basis over the useful life of the asset as follows:

	Number of years
Tadbeer licenses	10
Customer relationship	2

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

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon 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.

5 Summary of significant accounting policies (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a discount rate (pre-zakat) that reflects current market assessment of the time value of money and the risks specific to the asset.

The Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU's to which the individual asset is allocated. These budgets and forecast calculations generally cover a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.

Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss, except for goodwill, is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

Retained deposits

Retained deposits represent the amounts equivalent to two-month salary collected from customers as security deposits which the Group retain until the completion/termination of the manpower contracts. Upon termination of the manpower contract, or occurrence of anything that prevents the continuation of the service, the Group either refunds the balance or applies against the outstanding receivable from customers. Accordingly, these retained deposits are presented under current liabilities.

Employees' end-of-service benefits

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare and allowances that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented under accounts payable, accruals and others in the consolidated statement of financial position.

End-of-services benefits obligation
The Group's primary defined benefit plan is an end of service lump sum benefits plan.

The benefit liability recognized in the consolidated statement of financial position is the present value of the Defined Benefit Obligation ("DBO") at the reporting date. The plan is unfunded, which means the Group pays benefits as they fall due when employees leave service.

The DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Where there is no deep market in such bonds, the market rates on government bonds are used. As there are insufficient corporate and government bonds in KSA to generate a credible discount rate, the discount rate has instead been based on US Treasury bonds adjusted for country differences between US and KSA.

5 Summary of significant accounting policies (continued)

Employees' end-of-service benefits (continued)

End-of-services benefits obligation (continued)
The DBO also depends on the assumptions for future salary increases and the rate at which employees are expected to leave. The Group has assumed salaries will increase at a rate of 5%pa above the discount rate, in order to provide stability to the OCI account. Employee withdrawal rates are very high but can change quickly from year to year. The Group has therefore assumed updates this assumption from year to year as new experience develops.

The net interest cost is calculated by applying the discount rate to the net balance of the DBO. This cost is included in employees' salaries and other benefits expense in the consolidated statement of income. Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of income as past service costs.

Current and past service costs related to end-of-service benefits and unwinding of the liability at discount rates used are recognized immediately in the consolidated statement of income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

The actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour and Workmen Law as well as the Group's policy.

Dividends

The Group recognizes a liability to make dividend distribution to the shareholders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Company. In accordance with the Companies Law in KSA, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity. Interim dividends are recorded as and when declared and approved by the Board of Directors.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

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

Leases

Group as lessee
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

Leases are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- results of its operations are continuously analysed by management in order to make decisions related to resource allocation and performance assessment; and
- for which discrete financial information is available.

5 Summary of significant accounting policies (continued)

Segment reporting (continued)

The Group's operating business are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different products to its respective market.

For management purpose, the Group is organised into two segments, based on supply of manpower, as described below and as grouped in two reporting segments, financial details of those follow beneath.

The Group supplies manpower to corporates forming part of the revenue from its corporate segment. Similarly, the Group supplies manpower to individuals based on their needs (i.e. nurses, maids etc.) which forms part of the revenue from individual segment.

A geographical segment is a group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments. The Group's operations are conducted in KSA and UAE.

6 First time adoption of IFRSs as endorsed in KSA

For all financial years up to and including the year ended 31 December 2017, the Group prepared its consolidated financial statements in accordance with Generally Accepted Accounting Principles ("GAAP") issued by SOCPA in KSA (referred to as "SOCPA GAAP"). As explained in note (2) above, these consolidated financial statements are the Group's first consolidated financial statements prepared in accordance with IFRSs as endorsed in KSA. Accordingly, the Group has applied IFRSs as endorsed in KSA for the preparation of its consolidated financial statements for the period beginning 1 January 2018 as well as for presenting the relevant comparative data.

In compliance with requirements of IFRS 1 as endorsed in KSA, the consolidated financial statements were prepared after incorporating required adjustments to reflect the transition to IFRSs as endorsed in KSA from the previous SOCPA GAAP. The Group has analyzed the impact on the consolidated statement of financial position as at the transition date (1 January 2017) and 31 December 2017 and the consolidated statement of income and consolidated statement of comprehensive income for the year ended 31 December 2017.

The notes below explain the significant adjustments in transitioning from SOCPA GAAP to IFRSs as endorsed in KSA including the effect of the Group's adoption of IFRS 15 and IFRS 9.

6.1 Exemption applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRSs as endorsed in KSA. The Group has applied the transitional provisions in IAS 39, pertaining to the recognition of day one gain or loss prospectively to long-term financial assets and liabilities for which transactions occurred on or after the date of transition to IFRSs as endorsed in KSA. Therefore, amounts related to the Group's long-term cash margin against license guarantee letter occurred prior to the date of transition to IFRSs as endorsed in KSA are not retrospectively restated.

6 First time adoption of IFRS as endorsed in KSA (continued)

6.2 Reconciliation of consolidated statement of financial position as at 1 January 2017 (date of transition to IFRSs as endorsed in KSA)

	Note	As previously reported (SOCPA GAAP) SR	Adjustments/ Reclassifications SR	Balance as per IFRSs as endorsed in KSA SR
Assets				
Current assets				
Cash and cash equivalents		190,906,099	-	190,906,099
Murabaha time deposits		16,344,690	-	16,344,690
Accounts receivable and unbilled revenue	6.5.3 & 6.5.4	117,773,749	(9,462,058)	108,311,691
Contract assets	6.5.4	-	15,498,295	15,498,295
Prepayments and other current assets	6.5.4	99,479,435	(49,827,082)	49,652,353
Available visas		19,480,000	-	19,480,000
Total current assets		443,983,973	(43,790,845)	400,193,128
Non-current assets				
Used visas - non-current	6.5.4	7,309,312	(7,309,312)	-
Prepaid recruitment costs - non-current	6.5.4	11,490,784	(11,490,784)	-
Property and equipment		92,795,357	-	92,795,357
Equity investments at FVTPL	6.5.3	-	30,680,240	30,680,240
Available-for-sale investment	6.5.3	30,680,240	(30,680,240)	-
Cash margin against license guarantee letter		10,000,000	-	10,000,000
Total non-current assets		152,275,693	(18,800,096)	133,475,597
Total assets		596,259,666	(62,590,941)	533,668,725
Liabilities and equity				
Liabilities				
Current liabilities				
Accounts payable, accruals and others	6.5.4	134,836,339	(6,745,993)	128,090,346
Contract liabilities	6.5.4	-	54,710,423	54,710,423
Retained deposits and unearned revenues	6.5.2 & 6.5.4	158,418,281	313,809	158,732,090
Zakat payable		10,975,623	-	10,975,623
Total current liabilities		304,230,243	48,278,239	352,508,482
Non-current liabilities				
Employees' end-of-service benefits	6.5.1	31,543,006	(1,582,006)	29,961,000
Retained deposits - non-current	6.5.2	48,278,239	(48,278,239)	-
Total non-current liabilities		79,821,245	(49,860,245)	29,961,000
Total liabilities		384,051,488	(1,582,006)	382,469,482
Equity				
Share capital		100,000,000	-	100,000,000
Statutory reserve		30,000,000	-	30,000,000
Other reserves	6.5.1 & 6.5.3	680,240	2,750,760	3,431,000
Retained earnings	6.5.1, 6.5.3 & 6.5.4	81,527,938	(63,759,695)	17,768,243
Total equity		212,208,178	(61,008,935)	151,199,243
Total liabilities and equity		596,259,666	(62,590,941)	533,668,725

6 First time adoption of IFRS as endorsed in KSA (continued)

6.3 Reconciliation of the consolidated statement of financial position as at 31 December 2017

	Note	As previously reported (SOCPA GAAP) SR	Adjustments/ Reclassifications SR	Balance as per IFRSs as endorsed In KSA SR
Assets				
Current assets				
Cash and cash equivalents		342,221,524	-	342,221,524
Murabaha time deposits		4,000,000	-	4,000,000
Accounts receivable and unbilled revenue	6.5.3 & 6.5.4	143,975,960	(27,234,546)	116,741,414
Contract assets	6.5.4	-	26,178,658	26,178,658
Prepayments and other current assets	6.5.4	60,145,330	(13,831,368)	46,313,962
Available visas		21,064,000	-	21,064,000
Total current assets		571,406,814	(14,887,256)	556,519,558
Non-current assets				
Used visas - non-current	6.5.4	18,205,989	(18,205,989)	-
Prepaid recruitment costs - non-current	6.5.4	29,546,488	(29,546,488)	-
Property and equipment		104,577,019	-	104,577,019
Equity investments at FVTPL	6.5.3	-	31,261,609	31,261,609
Available-for-sale investment	6.5.3	31,261,609	(31,261,609)	-
Total non-current assets		183,591,105	(47,752,477)	135,838,628
Total assets		754,997,919	(62,639,733)	692,358,186
Liabilities and equity				
Liabilities				
Current liabilities				
Accounts payable, accruals and others	6.5.4	181,013,757	(18,404,865)	162,608,892
Contract liabilities	6.5.4	-	88,323,803	88,323,803
Retained deposits and unearned revenues	6.5.2 & 6.5.4	149,235,574	(17,472,670)	131,762,904
Zakat payable		9,470,542	-	9,470,542
Total current liabilities		339,719,873	52,446,268	392,166,141
Non-current liabilities				
Employees' end-of-service benefits	6.5.1	42,070,769	(6,128,769)	35,942,000
Retained deposits - non-current	6.5.2	52,446,268	(52,446,268)	-
Total non-current liabilities		94,517,037	(58,575,037)	35,942,000
Total liabilities		434,236,910	(6,128,769)	428,108,141
Equity				
Share capital		250,000,000	-	250,000,000
Statutory reserve		20,347,320	-	20,347,320
Other reserves	6.5.1 & 6.5.3	1,261,927	2,641,391	3,903,318
Retained earnings (accumulated losses)	6.5.1, 6.5.3 & 6.5.4	49,153,500	(59,152,355)	(9,998,855)
Equity attributable to the Shareholders of the Parent Company		320,762,747	(56,510,964)	264,251,783
Non-controlling interests		(1,738)	-	(1,738)
Total equity		320,761,009	(56,510,964)	264,250,045
Total liabilities and equity		754,997,919	(62,639,733)	692,358,186

6 First time adoption of IFRS as endorsed in KSA (continued)

6.4 Reconciliation of consolidated statement of income and other comprehensive income for the year ended 31 December 2017

	Note	As previously reported (SOCPA GAAP) SR	Adjustments/ Reclassifications SR	Balance as per IFRSs as endorsed in KSA SR
Revenue		1,167,944,942	-	1,167,944,942
Cost of revenue	6.5.1 & 6.5.4	(875,418,632)	10,653,162	(864,765,470)
Gross profit		292,526,310	10,653,162	303,179,472
General and administration expenses	6.5.1	(87,732,480)	464,934	(87,267,546)
Marketing expenses	6.5.3	(8,920,205)	7,304,431	(1,615,774)
Provision for doubtful debts	6.5.3	-	(14,396,556)	(14,396,556)
Income from main operations		195,873,625	4,025,971	199,899,596
Other income		16,531,177	-	16,531,177
Net gain on equity investments at FVTPL	6.5.3	-	581,369	581,369
Net income before zakat		212,404,802	4,607,340	217,012,142
Zakat		(8,979,558)	-	(8,979,558)
Net income for the year		203,425,244	4,607,340	208,032,584
Net income (loss) for the year attributable to:				
Shareholders of the Parent Company		203,472,882	4,607,340	208,080,222
Non-controlling interests		(47,638)	-	(47,638)
		203,425,244	4,607,340	208,032,584
Other comprehensive income:				
Item that may be reclassified to consolidated statement of income:				
Change in fair value of available-for-sale investment	6.5.3	581,369	(581,369)	-
Cumulative currency translation gains		318	-	318
Item that will not be reclassified to consolidated statement of income:				
Re-measurements of employees' end-of-service benefits	6.5.1	-	472,000	472,000
Other comprehensive income for the year		581,687	(109,369)	472,318
Total comprehensive income for the year		204,006,931	4,497,971	208,504,902

6 First time adoption of IFRS as endorsed in KSA (continued)

6.5 Explanation of significant transitional adjustments and reclassifications

6.5.1 Actuarial valuation of employees' benefits

Under IFRSs as endorsed in KSA, employees' end-of-service benefits are required to be calculated using actuarial valuations. Historically, the Group has calculated these obligations based on the local regulations in KSA at the reporting date without considering expected future service periods of employees, salary increments and discount rates. The impacts on the consolidated financial statements were as follows:

Consolidated statement of financial position line items	1 January 2017 SR	31 December 2017 SR
Decrease in employees' end-of-service benefits	1,582,006	6,128,769
Decrease/(increase) in retained earnings (accumulated losses)	1,848,994	(2,225,769)
Increase in other reserves	(3,431,000)	(3,903,000)

Consolidated statement of income line items	Year ended 31 December 2017 SR
Decrease in cost of revenue	(3,609,829)
Decrease in general and administration expenses	(464,934)

Consolidated statement of comprehensive income line item	Year ended 31 December 2017 SR
Increase in re-measurements of employees' end-of-service benefits	(472,000)

6.5.2 Reclassifications

Management has reclassified non-current portion of retained deposits in the consolidated statement of financial position into current portion as these retained deposits are refunded or applied against outstanding customers' receivables upon termination of the manpower contract or occurrence of anything that prevents the continuation of the service. The impacts on the consolidated financial statements were as follows:

Consolidated statement of financial position line items	1 January 2017 SR	31 December 2017 SR
Increase in retained deposits and unearned revenues	(48,278,239)	(52,446,268)
Decrease in retained deposits - non-current	48,278,239	52,446,268

6.5.3 Financial instruments

The following set out the impacts of adopting IFRS 9 on the consolidated financial statements of the Group pertaining to the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECL model including reclassification of previous impairment of accounts receivable charged in marketing expenses separately in the consolidated statement of income:

Consolidated statement of financial position line items	1 January 2017 SR	31 December 2017 SR
Increase/(decrease) in accounts receivable and unbilled revenue	6,036,237	(1,055,888)
(Increase)/decrease in retained earnings (accumulated losses)	(6,036,237)	1,055,888

Consolidated statement of income line items	Year ended 31 December 2017 SR
Decrease in marketing expenses	(7,304,431)
Increase in provision for doubtful debts	14,396,556

6 First time adoption of IFRS as endorsed in KSA (continued)

6.5 Explanation of significant transitional adjustments and reclassifications (continued)

6.5.3 Financial instruments (continued)

Under IFRS 9, investment in units of a commodity fund, which were classified previously as available-for-sale investment, were transferred to equity investments at FVTPL. The investments are held in a business model to collect cash flows as well as to sell if needed. Accordingly, appropriate classification of these investments will be equity investments at FVTPL. The impacts on the consolidated financial statements were as follows:

Consolidated statement of financial position line items	1 January 2017 SR	31 December 2017 SR
Decrease in available-for-sale investment	(30,680,240)	(31,261,609)
Increase in equity investments at FVTPL	30,680,240	31,261,609
Increase in retained earnings (accumulated losses)	(680,240)	(1,261,609)
Decrease in other reserves	680,240	1,261,609

Consolidated statement of income line item	Year ended 31 December 2017 SR
Increase in net gain on equity investments at FVTPL	(581,369)

Consolidated statement of comprehensive income line item	Year ended 31 December 2017 SR
Decrease in unrealized gains on revaluation of available-for-sale investment	581,369

6.5.4 Revenue from contracts with customers and related costs

Under IFRS 15, when either party to a contract has performed, an entity shall present the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. Below are the reclassifications from unbilled revenue to contract assets and from advances from customers and unearned revenues to contract liabilities due to this change:

Consolidated statement of financial position line items	1 January 2017 SR	31 December 2017 SR
Increase in contract assets	15,498,295	26,178,658
Decrease in accounts receivable and unbilled revenue	(15,498,295)	(26,178,658)
Increase in contract liabilities	(54,710,423)	(88,323,803)
Decrease in accounts payable, accruals and others	6,745,993	18,404,865
Decrease in retained deposits and unearned revenues	47,964,430	69,918,938

Upon transition to IFRSs as endorsed in KSA, the Group recognized used visas and recruitment costs immediately as expense in the consolidated statement of income as these costs are not qualified as contract costs. Previously these costs were amortized in the consolidated statement of income on a straight-line basis over two years (which is usually the duration of the employment contract) in accordance with general practice being followed by companies in KSA under financial accounting concepts issued by SOCPA. The impacts on the consolidated financial statements were as follows:

Consolidated statement of financial position line items	1 January 2017 SR	31 December 2017 SR
Decrease in prepayments and other current assets	(49,827,082)	(13,831,368)
Decrease in used visas - non-current	(7,309,312)	(18,205,989)
Decrease in prepaid recruitment costs - non-current	(11,490,784)	(29,546,488)
Decrease in retained earnings (accumulated losses)	68,627,178	61,583,845

Consolidated statement of comprehensive income line item	Year ended 31 December 2017 SR
Decrease in cost of revenue	(7,043,333)

6.6 Effect on the consolidated statement of cash flows

The transition from SOCPA GAAP to IFRSs as endorsed in KSA and adoption of IFRS 15 and 9 had no significant impact on the consolidated statement of cash flows for the year ended 31 December 2017.

7 Cash and cash equivalents

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Cash at banks	**81,485,478**	342,142,761	120,906,099
Cash in hand	**208,365**	78,763	-
Short-term deposits with original maturities of three-months or less	-	-	70,000,000
Total	**81,693,843**	342,221,524	190,906,099

Included in the bank balances is an amount totalling to SR Nil (31 December 2017: SR Nil; 1 January 2017: SR 10 million) for the cash margin against the guarantee issued by one of the local commercial banks to the Ministry of Labor and Social Development on behalf of the Group (note 13).

8 Murabaha time deposits

Murabaha time deposits represent deposits with local commercial banks having a maturity of more than three months from date of acquisition and expected to be realized within one year from the reporting date. The variable commission rates on the murabaha time deposits as at 31 December 2018, 31 December 2017 and 1 January 2017 are based on prevailing commercial market rates.

9 Accounts receivable

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Accounts receivable	**177,394,732**	137,220,406	116,754,568
Amounts due from related parties (note 14)	**19,248,136**	14,160,883	11,800,442
	196,642,868	151,381,289	128,555,010
Less: provision for doubtful debts	**(46,304,591)**	(34,639,875)	(20,243,319)
Total	**150,338,277**	116,741,414	108,311,691

Trade receivable comprise of interest free net receivables due from customers with no credit rating. Unimpaired trade receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and vast majority are, therefore, unsecured. The acquisition of subsidiaries resulted in increase in accounts receivables amounting to SR 949,011.

Movements in the provision for doubtful debts were as follows:

	2018 SR	2017 SR
At the beginning of the year	**34,639,875**	20,243,319
Charge for the year	**11,664,716**	14,396,556
At the end of the year	**46,304,591**	34,639,875

The ageing of unimpaired accounts receivable was as follows:

			Past due but not impaired		
	Total SR	**Neither past due nor impaired SR**	**< 90 days SR**	**90 – 180 days SR**	**> 180 days SR**
31 December 2018	**150,338,277**	**13,085,341**	**127,414,536**	**4,117,284**	**5,721,116**
31 December 2017	116,741,414	9,220,381	98,895,107	3,609,874	5,016,052
1 January 2017	108,311,691	8,861,149	95,415,586	1,702,530	2,332,426

10 Contract assets and liabilities

Contract assets
Contract assets primarily related to the Group's right to consideration for services delivered but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Contract liabilities
The contract liabilities primarily relate to the advance consideration received from customers and unearned revenues, for which revenue is recognized on satisfaction of performance obligations.

11 Prepayments and other current assets

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Residence fees and work permits	**118,513,742**	39,307,778	40,800,078
Advances to suppliers	**6,222,767**	3,790,759	2,009,339
Prepaid rent	**4,606,560**	1,856,122	1,635,613
Other prepayments	**10,529,652**	1,359,303	5,207,323
	139,872,721	46,313,962	49,652,353

The acquisition of subsidiaries resulted in increase in prepayments and other current assets of SR 2,872,376.

12 Available visas

Available visas represent the balance of unused visas as of the reporting date. Amounts of available visas are recognized as expense in the consolidated statement of income when issuing visas to recruited manpower.

13 Cash margin against license guarantee letter

Letter of guarantee represents the letter submitted to Ministry of Labor and Social Development against issuance of recruitment license for the Company. The guarantee letter was secured against 100% cash margin, which was placed with a local commercial bank (the "Bank"). In October 2016, the Company and the Bank entered into an agreement wherein the Bank will accept the placed murabaha time deposits of the Company in lien for the guarantees and that the Bank will serve as guarantor for the Company with its guarantee to the Ministry of Labor and Social Development. During February 2017, the cash margin was transferred to the Company's bank account (note 7).

14 Related party transactions and balances

Related parties comprise of shareholders, key management personnel, directors and entities which are controlled directly or indirectly or influenced by these parties. In the normal course of business, the Group has various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Group's management or its Board of Directors ("BOD").

14.1 Major shareholders

The following are the major shareholders of the Group as of 31 December 2018, 31 December 2017 and 1 January 2017:

Name	Place of incorporation/residence	Ownership %
Alahlia International Real Estate Investment Company	KSA	28%
Architectural Experience Company	KSA	23%
Al Faisaliah Group Holding Company	KSA	20%
Dr Abdullah Bin Sulaiman Alamro	KSA	17%
Dr Sulaiman Alhabib Trading Commercial Investment Company	KSA	10%
Other	KSA	2%

14 Related party transactions and balances (continued)

14.2 Key management personnel compensation

The remuneration of directors and other key management personnel for the year are as follow:

	2018	2017
	SR	SR
Salaries and short-term benefits	**13,204,435**	14,725,576
End-of-service benefits	**1,070,382**	1,854,858
Total key management compensation	**14,274,817**	16,580,434

14.3 Terms and conditions of transactions with related parties

Outstanding balances at the consolidated statement of financial position date are unsecured, interest free and settlement occurs in cash.

14 Related party transactions and balances (continued)

14.4 Related party transactions and balances

During the year, the Group transacted with its related parties. The terms of those transactions are approved by management/BOD in the ordinary course of business. The transactions and balances for the year are as follows:

Related party	*Relationship*	*Nature of transactions*	*Transactions*		*Balances*		
			2018 SR	2017 SR	**31 December 2018 SR**	31 December 2017 SR	1 January 2017 SR
Amounts due from related parties (note 9)							
Spectra Support Services	Affiliate	Manpower services	**70,363,228**	58,899,947			
		Collections	**(67,347,412)**	(57,116,283)	**10,088,237**	7,072,421	5,288,757
Maharah Holding Company (*)	Affiliate	Financing	**-**	-	**4,080,150**	4,080,150	4,080,150
Key management personnel (*)	Key management personnel	Employee advances	**3,142,441**	-	**3,142,441**	-	-
ND Logistics	Affiliate	Manpower services	**10,152,845**	3,252,872			
		Collections	**(9,829,204)**	(3,507,921)	**1,120,917**	797,276	1,052,325
Al Safi Danone Co. Ltd.	Affiliate	Manpower services	**3,924,283**	9,216,241			
		Collections	**(5,172,227)**	(8,691,891)	**647,216**	1,895,160	1,370,810
Elixir Medical Co.	Affiliate	Manpower services	**685,092**	389,391			
		Collections	**(736,471)**	(234,169)	**103,843**	155,222	-
Alfa Co, for Operations Services Ltd.	Affiliate	Manpower services	**1,135,017**	1,180,735			
		Collections	**(1,173,211)**	(1,077,434)	**65,107**	103,301	-
Others	Affiliate	Manpower services	**40,673**	1,489,846			
		Collections	**(97,801)**	(1,440,893)	**225**	57,353	8,400
					19,248,136	14,160,883	11,800,442
		Less: provision for doubtful debts			**560,181**	654,547	383,869
					18,687,955	13,506,336	11,416,573

(*) The Group did not record any impairment of receivables relating to amounts owed by these related parties.

14 Related party transactions and balances (continued)

14.4 Related party transactions and balances (continued)

Related party	*Relationship*	*Nature of transactions*	*Transactions*		*Balances*		
			2018 SR	2017 SR	**31 December 2018 SR**	31 December 2017 SR	1 January 2017 SR
Amounts due to related parties (note 20)							
Bloovo Ltd.	Associate	Deferred consideration (note 19)	**13,130,600**	-	**13,130,600**	-	-
Directors	BOD	Remuneration (note 27)	**2,000,000**	2,000,000			
		Payments	**(2,185,056)**	(1,400,000)	**2,014,944**	2,200,000	1,600,000
Maharah Travel and Tourism Company	Affiliate	Purchase of air tickets	**22,561,199**	22,452,296			
		Payments	**(22,324,402)**	(22,032,222)	**1,029,422**	792,625	372,551
Architectural Experience Company	Shareholder	Professional services	**25,335**	378,398			
		Payments	**(34,169)**	(369,564)	**-**	8,834	-
					16,174,966	3,001,459	1,972,551

15 Property and equipment

31 December 2018	Land SR	Buildings SR	Leasehold improvement SR	Furniture and fixtures SR	Office equipment SR	Vehicles SR	Capital work in progress (*) SR	Total SR
Cost								
At the beginning of the year	45,976,200	18,896,705	16,770,170	4,676,610	12,700,372	11,010,700	11,865,258	121,896,015
Additions	17,210,814	36,464,437	413,272	223,833	3,717,090	5,901,975	8,003,234	71,934,655
Relating to acquisition of subsidiaries	-	-	-	758,410	919,880	397,286	-	2,075,576
At the end of the year	63,187,014	55,361,142	17,183,442	5,658,853	17,337,342	17,309,961	19,868,492	195,906,246
Accumulated depreciation								
At the beginning of the year	-	1,445,174	6,323,691	1,239,460	4,896,907	3,413,764	-	17,318,996
Charge for the year (note 27)	-	1,646,911	1,695,721	764,729	2,565,876	3,287,034	-	9,960,271
Relating to acquisition of subsidiaries	-	-	-	278,087	358,201	60,468	-	696,756
At the end of the year	-	3,092,085	8,019,412	2,282,276	7,820,984	6,761,266	-	27,976,023
Net book value								
31 December 2018	**63,187,014**	**52,269,057**	**9,164,030**	**3,376,577**	**9,516,358**	**10,548,695**	**19,868,492**	**167,930,223**
31 December 2017	45,976,200	17,451,531	10,446,479	3,437,150	7,803,465	7,596,936	11,865,258	104,577,019

15 Property and equipment (continued)

31 December 2017	Land	Buildings	Leasehold improvement	Furniture and fixtures	Office equipment	Vehicles	Capital work in progress (*)	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Cost								
At the beginning of the year	45,976,200	16,730,033	15,450,662	3,817,433	9,948,387	5,640,800	6,131,354	103,694,869
Additions	-	57,080	1,319,508	859,177	2,751,985	5,503,600	7,843,496	18,334,846
Transfers	-	2,109,592	-	-	-	-	(2,109,592)	-
Relating to disposals	-	-	-	-	-	(133,700)	-	(133,700)
At the end of the year	45,976,200	18,896,705	16,770,170	4,676,610	12,700,372	11,010,700	11,865,258	121,896,015
Accumulated depreciation								
At the beginning of the year	-	995,885	4,693,330	793,135	2,879,760	1,537,402	-	10,899,512
Charge for the year (note 27)	-	449,289	1,630,361	446,325	2,017,147	1,967,765	-	6,510,887
Relating to disposals	-	-	-	-	-	(91,403)	-	(91,403)
At the end of the year	-	1,445,174	6,323,691	1,239,460	4,896,907	3,413,764	-	17,318,996
Net book value								
31 December 2017	45,976,200	17,451,531	10,446,479	3,437,150	7,803,465	7,596,936	11,865,258	104,577,019
1 January 2017	45,976,200	15,734,148	10,757,332	3,024,298	7,068,627	4,103,398	6,131,354	92,795,357

(*) Pertains to expenditures relating to the construction and development of the Group's head office.

16 Intangible assets - Goodwill

Carrying amount of goodwill are as follows (note 31):

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
TPH	**3,001,536**	-	-
MPL	**1,175,521**	-	-
TPHC	**273,180**	-	-
	4,450,237	-	-

Effective 1 January 2018, the Subsidiary acquired a 70% ownership of TPH. The total consideration amounted to SR 10.2 million. TPH is licensed in providing building cleaning services and residential property core services (note 31).

On 1 January 2018, TPH acquired 100% shares of MPL for a total consideration of SR 1.5 million. MPL is licensed in providing building maintenance services (note 31).

On 1 January 2018, TPH acquired 100% shares of TPHC for a total consideration amounting to SR 1.2 million. TPHC is licensed in providing building cleaning services and public health pests control services (note 31).

Goodwill impairment test

Goodwill is tested annually for impairment by management. For the year ended 31 December 2018, the management has determined that goodwill carrying amounts are less than their recoverable amounts. Recoverable amounts were determined on the basis of value-in-use calculations. These calculations use cash flow projections for five years based on financial budgets approved by management. Cash flows beyond the budgets are extrapolated using the estimated growth rate for each company. In management's opinion, the growth rate assumptions do not exceed the long-term average growth rates for the business in which the companies operate. Key assumptions for the value-in-use calculation are set out below.

	%
Discount rate	13
Average annual growth rate for sale	2.5
Terminal growth rate	2.5

The discount rates used are pre-zakat and reflect specific risks relating to the subsidiaries. Management has determined the budgeted gross margins based on past performance and its expectations for the market development.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use for the subsidiaries, any adverse changes in a key assumption would result in an impairment loss. The key assumptions, where reasonably possible changes could result in impairment, are the terminal growth rates and the discount rates used.

17 Other intangible assets

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Tadbeer licenses	**3,305,283**	-	-
Customer relationship	**1,731,999**	-	-
Other intangible assets	**134,855**	-	-
	5,172,137	-	-

17 Other intangible assets (continued)

31 December 2018	Tadbeer licenses SR	Customer relationship SR	Other intangible SR	Total SR
Cost				
Arising from the acquisition of subsidiaries during the year (note 31)	3,672,537	3,060,958	-	6,733,495
Relating to acquisition of subsidiaries	-	-	704,766	704,766
Additions	-	207,308	-	207,308
	3,672,537	3,268,266	704,766	7,645,569
Accumulated amortization				
Relating to acquisition of subsidiaries	-	-	435,116	435,116
Charge for the year (note 27)	367,254	1,536,267	134,795	2,038,316
	367,254	1,536,267	569,911	2,473,432
Net book value	**3,305,283**	**1,731,999**	**134,855**	**5,172,137**

Tadbeer licenses and customer relationships are intangible assets acquired through business combinations. The Tadbeer licenses have been granted by the Ministry of Human Resources and Emiratisation to provide specific services related to domestic worker recruitment and welfare while customer relationships relate to TPH's current customers consist predominantly of residential cleaning clients across UAE.

18 Equity investments at FVTPL

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Equity investments at FVTPL	**31,991,284**	31,261,609	30,680,240

Equity investments at FVTPL include financial assets that are invested in units of a mutual fund, namely Al Rajhi Commodity SAR Fund (206,988.44 units for SR 144.94 each) purchased for SR 30 million. The Group considers its investments to be strategic in nature (note 34). The movement in FVTPL investments for the year was as follows:

	2018 SR	2017 SR
Cost		
At the beginning and end of the year	**30,000,000**	30,000,000
Revaluation adjustments		
At the beginning of the year	**1,261,609**	680,240
Net gain during the year	**729,675**	581,369
At the end of the year	**1,991,284**	1,261,609
Net book value	**31,991,284**	31,261,609

19 Investment in an associate

Effective 19 November 2018, the Group acquired 40% share capital of Bloovo Ltd. (the "Associate") for a total consideration of SR 18.75 million. The Associate is engaged in providing online recruitment and advisory services.

The Company has two directors out of the five BOD members of the Associate, achieving significant influence over the relevant policy-making processes, including participation in decisions about dividends and other distributions.

The movement of the investment during the year is as follow:

	Percentage of ownership	Balance at date of acquisition SR	Share in net loss SR	Ending balance SR
2018	**40%**	**18,759,129**	**(119,524)**	**18,639,605**

19 Investment in an associate (continued)

Purchase consideration

	SR
Cash paid	5,628,000
Deferred consideration (note 14)	13,130,600
Exchange difference	529
Total consideration	18,759,129

Deferred consideration

As part of the purchase agreement, the consideration amounting to SR 13.1 million shall be paid by the Company within 18 months from the effective date of acquisition and is subject to conditions on whether the Associate will be able to meet the business plan agreed by both parties which include cash flow forecasts (the "Conditions"). In the event that the Associate fails to meet the Conditions after 18 months from the effective date agreed by both parties, the deferred consideration will not be paid but shareholding of the Company in the Associate will reduce to the extent of cash paid at the acquisition date including share in net losses or earnings from the Associate for the period of shareholding.

As at the acquisition date, the fair value of the deferred consideration was estimated to be SR 13.1 million.

The tables below provide summarized financial information for the Associate. The information disclosed reflects the amounts presented in the financial statements of the Associate and not the Group's share of those amounts as of the end of their reporting period.

Summarized statement of financial position:

	31 December 2018 SR
Total current assets	**18,248,619**
Total non-current assets	**1,182,789**
Total current liabilities	**(233,181)**
Total non-current liabilities	**(5,807)**
Net assets	**19,192,420**

Statement of comprehensive income:

	2018 SR
Revenue	**525,453**
Direct costs	**(917,568)**
Gross loss	**(392,115)**
Selling and distribution expenses	**(533,208)**
General and administration expenses	**(1,611,093)**
Net loss for the year	**(2,536,416)**

The Associate had no contingent liabilities or capital commitments as at 31 December 2018.

20 Accounts payable, accruals and others

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Accrued tickets and vacations	**104,489,266**	80,643,183	79,479,619
Accrued salaries and other employee costs	**88,981,964**	60,814,573	33,749,379
Amounts due to related parties (note 14)	**16,174,966**	3,001,459	1,972,551
Provision for operational risk (note 34)	**6,206,996**	6,000,000	5,079,200
Accrued bonus and incentives	**6,815,728**	6,254,198	-
Value Added Tax ("VAT"), net	**4,289,475**	-	-
Accounts payable	**4,064,808**	5,895,479	5,230,842
Provision for withholding taxes	**-**	-	2,578,755
	231,023,203	162,608,892	128,090,346

The acquisition of subsidiaries resulted in increase in accounts payable, accruals and others of SR 2,259,527.

21 Zakat

Charge for the year

Zakat charge for the year ended 31 December 2018 amounted to SR 10,967,678 (2017: SR 8,979,558) consists of the current year provision. The current year zakat provision is based on the following:

	31 December 2018 SR	31 December 2017 SR
Shareholders' equity, beginning balance	264,251,783	151,199,243
Income before zakat	231,526,639	217,012,142
Opening provisions and adjustments	135,859,184	90,867,563
Non-current liabilities	35,253,000	35,942,000
Non-current assets	(228,183,486)	(135,838,628)

Some of these amounts as reported above have been adjusted in arriving at the zakat charge for the year.

Movements in zakat provision during the year

The movement in the provision for zakat for the year is as follows:

	2018 SR	2017 SR
Balance at beginning of the year	9,470,542	10,975,623
Provision for the year	10,967,678	8,979,558
Paid during the year	(8,364,491)	(10,484,639)
Balance at end of the year	12,073,729	9,470,542

Status of assessments

The Company has submitted its zakat returns for all previous years up to 31 December 2017 with GAZT and obtained related zakat certificates. Final zakat assessments have not been received yet.

22 Employees' end-of-service benefits

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Defined benefits obligation ("DBO")	35,253,000	35,942,000	29,961,000

The Group grants end-of-service benefits (benefit plan) to its employees taking into consideration the local labor law requirements in KSA. The benefit provided by this benefit plan is a lump sum based on the employees' final salaries and allowance and their cumulative years of service at the date of the termination of employment.

The benefit liability recognized in the consolidated statement of financial position in respect of defined benefit end-of-service plan is the present value of the DBO at the reporting date.

The DBO is calculated periodically by qualified actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation (equivalent to a duration of 2 years at 31 December 2018). In countries where there is no deep market in such bonds, the market rates on government bonds are used.

As there are insufficient corporate and government bonds in the KSA to generate a credible discount rate the discount rate has instead been based on US Treasury bonds adjusted for country differences between US and KSA.

Re-measurement amounts of actuarial gains and losses on the DBO, if any, are recognized and reported within re-measurements of employees' end-of-service benefits under the consolidated statement of comprehensive income and cumulative actuarial gains in the consolidated statement of changes in equity.

22 Employees' end-of-service benefits (continued)

The following table represents the movement in the DBO for the year:

	2018 SR	2017 SR
Opening balance	**35,942,000**	29,961,000
Current service cost	**18,649,000**	17,988,000
Interest cost	**643,000**	900,000
Amount recognized in the consolidated statement of income	**19,292,000**	18,888,000
Financial assumptions	**(2,950,000)**	-
Demographic assumptions	**-**	225,000
Experience gains	**(62,000)**	(697,000)
Amount recognized in the consolidated statement of comprehensive income (note 24)	**(3,012,000)**	(472,000)
Benefits paid during the year	**(16,969,000)**	(12,435,000)
Closing balance	**35,253,000**	35,942,000

Significant actuarial assumptions

The significant actuarial assumptions used in the DBO computation:

	2018	2017
Gross discount rate	**3.60%**	2.50%
Salary growth rate	**Staff 5.00%; Workers 0%**	3.20%
Withdrawal rate	**50%**	50%
Retirement age	**55-60**	55-60

Sensitivity analysis

The results are sensitive to the assumptions used, in particular the withdrawal assumption due the short duration of the plan's liabilities. The table below shows the change in DBO based on increases or decreases in the base assumption value as of 31 December 2018:

			Impact on defined benefit obligation	
	Change in assumption	Base value SR	Increase in assumption SR	Decrease in assumption SR
Discount rate	1%	35,253,000	34,182,000	35,527,000
Salary growth rate	1%	35,253,000	35,516,000	34,180,000
Withdrawal rate	35%	35,253,000	38,136,000	32,931,000

The average duration of the DBO at the end of the reporting period is 2 years (31 December 2017: 2 years; 1 January 2017: 2 years).

The Group expects to make contributions during the year ending 31 December 2019, to the benefit plan amounting to SR 21.7 million (year ended 31 December 2018: SR 20.4 million; year ended 31 December 2017: SR 12.4 million).

23 Share capital

Authorized and issued share capital is divided into 37.5 million shares (31 December 2017: 25 million shares; 1 January 2017: 10 million shares) of SR 10 each (note 30).

In the extraordinary general assembly meeting held on 5 Rabi Thani 1440H (corresponding to 12 December 2018) the shareholders resolved to increase the share capital to SR 375 million by transferring SR 105 million and SR 20 million from retained earnings and statutory reserve, respectively to proposed capital increase account. The legal formalities required to enforce the increase of the share capital were completed during the year ended 31 December 2018.

23 Share capital (continued)

During 2017, the shareholders of the Parent Company resolved to increase its capital to SR 250 million by transferring SR 120 million and SR 30 million from retained earnings and statutory reserve, respectively to share capital. The legal formalities required to enforce the increase of the share capital were completed during the year ended 31 December 2017.

24 Reserves

Statutory reserves

In accordance with the Companies Law and the Company's By-Laws, the Company must transfer 10% of its income for the year to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the capital. Accordingly, the Company transferred 10% of its income during the year. The reserve is not available for distribution.

Other reserves

Movement in other reserves is shown below:

2018	**Cumulative currency translation reserve SR**	**Cumulative actuarial gains SR**	**Total SR**
At the beginning of the year	318	3,903,000	3,903,318
Changes during the year due to:			
Cumulative currency translation losses	(654)	-	(654)
Re-measurements of employees' end-of-service benefits (note 22)	-	3,012,000	3,012,000
At the end of the year	**(336)**	**6,915,000**	**6,914,664**

2017	Cumulative currency translation reserve SR	Cumulative actuarial gains SR	Total SR
At the beginning of the year	-	3,431,000	3,431,000
Changes during the year due to:			
Cumulative currency translation gains	318	-	318
Re-measurements of employees' end-of-service benefits (note 22)	-	472,000	472,000
At the end of the year	318	3,903,000	3,903,318

25 Dividends

The Company's shareholders in the extraordinary general assembly meeting held on 5 Rabi Thani 1440H (corresponding to 12 December 2018), resolved to distribute interim dividends amounting to SR 0.236 per share aggregating to SR 59 million, which was paid during the year ended 31 December 2018.

The Company's Board of Directors in their meeting held on 27 Muharram 1439H (corresponding to 17 October 2017), resolved to distribute interim dividends amounting to SR 0.38 per share aggregating to SR 95.5 million, which was paid during the year ended 31 December 2017. The Board of Directors presented the said distribution to the shareholders in their annual general meeting held on 25 Rajab 1439H (corresponding to 11 April 2018).

26 Revenue

Disaggregation of revenue

In the following table, revenue is disaggregated by type of sector, customer, contracts, duration of contracts and timing of revenue recognition and revenue between group companies are eliminated on consolidation.

Type of sector	**2018 SR**	2017 SR
Individuals	**389,464,583**	288,624,391
Industrial and operation	**279,358,501**	243,642,800
Retail	**231,619,090**	254,399,011
Hospitality	**169,339,557**	165,678,529
Healthcare	**150,467,792**	113,733,908
Commercial	**124,847,841**	101,866,303
Total	**1,345,097,364**	1,167,944,942

26 Revenue (continued)

Disaggregation of revenue (continued)

Type of customer	2018 SR	2017 SR
Corporate - private	948,912,979	877,326,298
Individuals	389,464,583	288,624,391
Corporate - governmental & semi-government	6,719,802	1,994,253
Total	1,345,097,364	1,167,944,942

Type of contracts	2018 SR	2017 SR
Corporate	955,632,781	879,320,551
Retail	311,125,468	265,682,202
Hourly "Khidma"	78,339,115	22,942,189
Total	1,345,097,364	1,167,944,942

Duration of contracts	2018 SR	2017 SR
More than one year	955,632,781	879,320,551
One year and less	389,464,583	288,624,391
Total	1,345,097,364	1,167,944,942

The Group has a policy of recognizing revenue over time hence all the revenue is recognized over the term of the contract as services are rendered.

27 General and administration expenses

	2018 SR	2017 SR
Employee costs	68,017,629	55,770,643
Depreciation (note 15)	9,960,271	6,510,887
Professional fees	6,055,627	9,676,507
Rent	3,640,362	1,385,419
Utilities and subscription	3,190,726	2,585,155
Bank charges	3,095,966	2,379,231
Repairs and maintenance	3,074,789	1,406,282
Travel	3,016,777	733,670
Amortization (note 17)	2,038,316	-
BOD remuneration (note 14)	2,000,000	2,000,000
Others	4,222,979	4,819,752
Total	108,313,442	87,267,546

28 Marketing expenses

	2018 SR	2017 SR
Advertisements	4,365,815	1,529,974
Marketing commission	1,412,741	85,800
Total	5,778,556	1,615,774

29 Other income

	2018 SR	2017 SR
Reversal of accrued salaries no longer payable	8,328,475	-
Earnings from Murabaha time deposits	5,359,530	3,435,611
Income from customers' contract cancellation	3,903,296	5,320,172
Income from fines and penalties	2,923,631	3,582,307
Reversal of provision for withholding taxes	-	2,578,755
Miscellaneous	776,438	1,614,332
Total	21,291,370	16,531,177

30 Earnings per share

Basic earnings per share attributable to the shareholders of the Parent Company is calculated based on the weighted average number of outstanding shares during the year.

Diluted earnings per share is calculated by adjusting the basic earnings per share for the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2018 **SR**	2017 SR
Income from main operations for the year	**209,625,118**	199,899,596
Net income attributable to Shareholders of the Parent Company	**222,249,855**	208,080,222
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (note 23)	**37,500,000**	37,500,000
Basic and diluted earnings per share of income from main operations for the year	**5.59**	5.33
Basic and diluted earnings per share of net income attributable to Shareholders of the Parent Company	**5.93**	5.55

There has been no item of dilution affecting the weighted average number of ordinary shares.

31 Business combination

Assets acquired and liabilities assumed

Effective 1 January 2018, the Subsidiary acquired 70% ownership of TPH through a tender offer by the Subsidiary for cash amounting in an aggregate SR 10.2 million. The acquisition was accounted for using the purchase method of accounting. The purchase consideration was allocated based on the proportionate share of the identifiable net assets. The excess of the purchase consideration over the estimated fair values of the net assets acquired and any amount of non-controlling interests has been allocated to goodwill. The estimated fair values of the net assets acquired as at the date of acquisition were:

	SR
Assets	
Cash and cash equivalents	1,459,938
Accounts receivable	295,993
Prepayments other current assets	1,780,647
Property and equipment	1,063,005
Other noncurrent assets	269,570
	4,869,153
Liabilities	
Accounts payable, accruals and others	1,302,223
Total net assets	3,566,930
Intangible assets (note 17)	6,733,495
Non-controlling interest	(3,089,342)
Goodwill arising on acquisition (note 16)	3,001,536
Purchase consideration (note 16)	10,212,619

	SR
Cash acquired with the subsidiary	1,459,938
Cash paid	(10,212,619)
Net cash flow on acquisition	(8,752,681)

31 Business combination (continued)

Assets acquired and liabilities assumed (continued)

Effective 1 January 2018, TPH acquired 100% shares of TPHC for a cash consideration of SR 1.2 million. The estimated fair values of the net assets acquired as at the date of acquisition were:

	SR
Assets	
Cash and cash equivalents	27,111
Accounts receivable	400,152
Prepayments and other current assets	928,737
Property and equipment	113,934
	1,469,934
Liabilities	
Accounts payable, accruals and others	517,794
Total net assets	952,140
Goodwill arising on acquisition (note 16)	273,180
Purchase consideration (note 16)	1,225,320

	SR
Cash acquired with the subsidiary	27,111
Cash paid	(1,225,320)
Net cash flow on acquisition	(1,198,209)

Effective 1 January 2018, TPH acquired 100% shares of MPL for a cash consideration of SR 1.5 million. The estimated fair values of the net assets acquired as at the date of acquisition were:

	SR
Assets	
Cash and cash equivalents	126,875
Accounts receivable	252,866
Prepayments other current assets	162,992
Property and equipment	201,881
	744,614
Liabilities	
Accounts payable, accruals and others	439,540
Total net assets	305,074
Goodwill arising on acquisition (note 16)	1,175,521
Purchase consideration (note 16)	1,480,595

	SR
Cash acquired with the subsidiary	126,875
Cash paid	(1,480,595)
Net cash flow on acquisition	(1,353,720)

32 Segment information

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses;
- results of its operations are continuously analysed by management in order to make decisions related to resource allocation and performance assessment; and
- for which discrete financial information is available.

The accounting policies used by the Group in reporting segments internally are the same as those contained in note (5) of these consolidated financial statements.

32 Segment information (continued)

The Group is organized into the following main business segments:

Corporate: This segment pertains to services provided to corporate entities that have contract terms for two years.

Individual: This segment pertains to services provided, ranging from worker rentals to khidma services, for individual customers that contract term ranges from an hour to one year.

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Group has no significant customer which contributes 10.0% or more to the revenues of the Group.

The Group is organised into the following main business segments:

	2018		
	Corporate SR	**Individual SR**	**Total SR**
Revenue	955,632,781	389,464,583	**1,345,097,364**
Cost of revenue	(765,117,172)	(244,598,360)	**(1,009,715,532)**
Gross profit	190,515,609	144,866,223	**335,381,832**
General and administration expenses	(78,907,815)	(29,405,627)	**(108,313,442)**
Marketing expenses	(3,392,106)	(2,386,450)	**(5,778,556)**
Provision for doubtful debts	(9,646,956)	(2,017,760)	**(11,664,716)**
Income from main operations	98,568,732	111,056,386	**209,625,118**

	2017		
	Corporate SR	Individual SR	Total SR
Revenue	879,320,551	288,624,391	1,167,944,942
Cost of revenue	(648,430,641)	(216,334,829)	(864,765,470)
Gross profit	230,889,910	72,289,562	303,179,472
General and administration expenses	(63,705,309)	(23,562,237)	(87,267,546)
Marketing expenses	(953,307)	(662,467)	(1,615,774)
Provision for doubtful debts	(14,396,556)	-	(14,396,556)
Income from main operations	151,834,738	48,064,858	199,899,596

It is impracticable to disclose information pertaining to net book value of property and equipment, total assets and total liabilities pertaining to these segments.

The primary markets for the Group's products are KSA and UAE. Following is the geographical segment analysis of the Group:

For the year ended 31 December 2018	**KSA SR**	**UAE SR**	**Total SR**
Revenue	1,311,092,170	34,005,194	**1,345,097,364**
Cost of revenue	(984,769,558)	(24,945,974)	**(1,009,715,532)**
Gross profit	326,322,612	9,059,220	**335,381,832**
General and administration expenses	(97,465,126)	(10,848,316)	**(108,313,442)**
Marketing expenses	(4,727,448)	(1,051,108)	**(5,778,556)**
Provision for doubtful debts	(9,646,956)	(2,017,760)	**(11,664,716)**
Income from main operations	214,483,082	(4,857,964)	**209,625,118**
As at 31 December 2018			
Net book value of property and equipment	161,508,762	6,421,461	**167,930,223**
Total assets	908,806,876	32,211,163	**941,018,039**
Total liabilities	507,734,960	3,864,103	**511,599,063**

As at 31 December 2017 and 1 January 2017, the primary market for the Group's activities and services is KSA. Hence, geographical segmental information is not applicable in this case.

33 Financial instruments

Financial instruments by category

Financial instruments have been categorised as follows:

Financial assets	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Cash and cash equivalents	**81,693,843**	342,221,524	190,906,099
Murabaha time deposits	**274,000,000**	4,000,000	16,344,690
Accounts receivable	**131,650,322**	103,235,078	96,895,118
Amounts due from related parties	**18,687,955**	13,506,336	11,416,573
Equity investments at FVTPL	**31,991,284**	31,261,609	30,680,240
Cash margin against license guarantee letter	**-**	-	10,000,000
Total financial assets	**538,023,404**	494,224,547	356,242,720

Financial liabilities	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Accounts payable	**4,064,808**	5,895,479	5,230,842
Amounts due to related parties	**16,174,966**	3,001,459	1,972,551
Retained deposits	**137,035,965**	131,762,904	158,732,090
Total financial liabilities	**157,275,739**	140,659,842	165,935,483

Fair value estimation of financial instruments

The following table present the Group's financial instruments measured at fair value at 31 December 2018, 31 December 2017 and 1 January 2017:

	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
31 December 2018				
Equity investments at FVTPL	**31,991,284**	**-**	**-**	**31,991,284**
31 December 2017				
Equity investments at FVTPL	31,261,609	-	-	31,261,609
1 January 2017				
Equity investments at FVTPL	30,680,240	-	-	30,680,240

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

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and liabilities as at the date of transition (1 January 2017) and as at 31 December 2017:

31 December 2017	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 SR	New carrying amount under IFRS 9 SR
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	342,221,524	342,221,524
Murabaha time deposits	Held-to-maturity	Amortized cost	4,000,000	4,000,000
Accounts receivable (*)	Loans and receivables	Amortized cost	103,636,419	103,235,078
Amounts due from related parties	Loans and receivables	Amortized cost	14,160,883	13,506,336
Equity investments at FVTPL	Available-for-sale investments	FVTPL	31,261,609	31,261,609
Total			495,280,435	494,224,547

33 Financial instruments (continued)

Classification of financial assets on the date of initial application of IFRS 9 (continued)

31 December 2017	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 SR	New carrying amount under IFRS 9 SR
Financial liabilities				
Accounts payable	Amortized cost	Amortized cost	5,895,479	5,895,479
Amounts due to related parties	Amortized cost	Amortized cost	3,001,459	3,001,459
Retained deposits	Amortized cost	Amortized cost	131,762,904	131,762,904
Total			140,659,842	140,659,842

1 January 2017	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 SR	New carrying amount under IFRS 9 SR
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	190,906,099	190,906,099
Murabaha time deposits	Held-to-maturity	Amortized cost	16,344,690	16,344,690
Accounts receivable(*)	Loans and receivables	Amortized cost	92,906,547	96,895,118
Amounts due from related parties	Loans and receivables	Amortized cost	11,800,442	11,416,573
Cash margin against license guarantee letter	Loans and receivables	Amortized cost	10,000,000	10,000,000
Equity investments at FVTPL	Available-for-sale investments	FVTPL	30,680,240	30,680,240
Total			352,638,018	356,242,720
Financial liabilities				
Accounts payable	Amortized cost	Amortized cost	5,230,842	5,230,842
Amounts due to related parties	Amortized cost	Amortized cost	1,972,551	1,972,551
Retained deposits	Amortized cost	Amortized cost	158,732,090	158,732,090
Total			165,935,483	165,935,483

* The change in carrying amount is a result of a change in impairment allowance due to adoption of IFRS 9. See explanation on ECL assessment for accounts receivables in note (34).

34 Financial risk and capital management

The Group's principal financial instruments consist of cash and cash equivalents and accounts receivable which are generated directly from operations. The Group has various other financial instruments such as murabaha time deposits, equity investments at FVTPL, amounts due from related parties, cash margin against license guarantee letter, accounts payable, retained deposits and amounts due to related parties, which are incurred to finance operations in the normal course of business.

The Group is exposed to market risk (e.g. currency risk and commission rate risk), credit risk and liquidity risk and equity price risk.

Market risk

Market risk is the risk that changes in market prices, such as currency rates and interest rates that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

34 Financial risk and capital management (continued)

Market risk (continued)

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group transacts principally in SR, US Dollars and UAE Dirhams. Management monitors regularly the fluctuations in currency exchange rates and the effects of the currency fluctuation has been accounted for in the consolidated financial statements accordingly.

Commission rate risk
Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on its commission bearing assets including cash and cash equivalents and Murabaha time deposits which is not likely to be significant. The Group does not have any commission bearing liability at the consolidated financial position date.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. At the consolidated statement of financial position date 34% (31 December 2017: 32%; 1 January 2017: 30%) of the gross accounts receivable pertains to 5 major customers.

Accounts receivable
Customers are assessed according to Group's criteria prior to entering into service arrangements.

Amounts due from related parties
An impairment analysis is performed at each reporting date on an individual basis for the major related parties. The maximum exposure to credit risk at the reporting date is the carrying value of the amounts due from related parties (note 14). The Group does not hold collateral as a security. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operates. The Group evaluates the risk with respect to amounts due from related parties as low, as majority of the related parties are owned by the same shareholders.

Credit risk related to time deposit and cash deposit
Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Cash is substantially placed with national banks with sound credit ratings. The Group does not consider itself exposed to a concentration of credit risk with respect to banks due to their strong financial background.

ECL assessment for accounts receivable

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets measured at amortized cost and contract assets.

The key inputs into the measurement of ECL are the following variables:
- Probability of default ("PD") using statistical model (i.e. normal distribution curve)
- GDP of KSA, as a macroeconomic variable to adjust the historic loss rate

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The management believes that the Group is not exposed to significant risks in relation to liquidity and maintains different lines of credit. Upon careful comparison of the financial liabilities included within the current liabilities with the financial assets forming part of the current assets, there seems to be a reasonably hedging position between the two categories.

34 Financial risk and capital management (continued)

Liquidity risk (continued)

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Contractual maturities of financial liabilities 31 December 2018	**Less than 1 year SR**	**Between 1 and 2 years SR**	**Between 2 and 5 years SR**	**Over 5 years SR**	**Total SR**
Accounts payable	4,064,808	-	-	-	4,064,808
Amounts due to related parties	16,174,966	-	-	-	16,174,966
Retained deposits	137,035,965	-	-	-	137,035,965
Total	**157,275,739**	**-**	**-**	**-**	**157,275,739**

Contractual maturities of financial liabilities 31 December 2017	Less than 1 year SR	Between 1 and 2 years SR	Between 2 and 5 years SR	Over 5 years SR	Total SR
Accounts payable	5,895,479	-	-	-	5,895,479
Amounts due to related parties	3,001,459	-	-	-	3,001,459
Retained deposits	131,762,904	-	-	-	131,762,904
Total	140,659,842	-	-	-	140,659,842

Contractual maturities of financial liabilities 1 January 2017	Less than 1 year SR	Between 1 and 2 years SR	Between 2 and 5 years SR	Over 5 years SR	Total SR
Accounts payable	5,230,842	-	-	-	5,230,842
Amounts due to related parties	1,972,551	-	-	-	1,972,551
Retained deposits	158,732,090	-	-	-	158,732,090
Total	165,935,483	-	-	-	165,935,483

Equity price risk

The Group is exposed to equity price risks arising from equity investments. At the end of the reporting period, most of the Group's equity investments are held for strategic purposes rather than trading purposes. The Group does not actively trade these investments.

At the reporting date, the exposure of quoted equity investments was SR 32.0 million (31 December 2017: SR 31.3 million; 1 January 2017: SR 30.7 million) (note 18).

Operational risk

Operational risk is the risk that the Group will encounter difficulties in providing the required manpower or failing to complete the period of the contract due to rejection of work, lack of good work performance, escape, death and change of related laws and regulations. The Group seeks to manage the operation risks by monitoring these cases on a regular basis in order to avoid or reduce occurrence of such cases. The Group also provides a provision to encounter these cases when occurred. During the year, the Group was able to compute the net exposure/impact upon considering the related prepayments and accruals balances for inactive employees. Provision for operational risk as at the end of the reporting period amounted to SR 6,206,996 (31 December 2017: SR 6,000,000; 1 January 2017: SR 5,079,200) (note 20).

Capital management

Capital is equity attributable to the shareholders. The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

The management policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. The management monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity. The management also monitors the level of dividends to shareholders. There were no changes in the Group's approach to capital management during the year. Neither the Group are subject to externally imposed capital requirements.

35 Commitments and contingencies

Commitments

Deferred consideration in acquisition of investment in an associate

A consideration amounting to SR 13.1 million shall be paid by the Company within 18 months from the effective date of acquisition of an associate and is subject to conditions on whether the associate will be able to meet the business plan agreed by both parties which include cash flow forecasts (note 19).

Operating lease commitments - Group as a lessee

The Group has entered into operating leases on office spaces and staff accommodation. Future minimum rentals payable under non-cancellable operating leases as at the end of the year are as follows:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Within one year	**6,133,650**	6,786,030	6,820,674
After one year but not more than five years	**9,524,217**	10,597,424	15,888,062
More than five years	**1,625,000**	2,946,634	4,423,340
	17,282,867	20,330,088	27,132,076

Rent expenses are related to operating leases. For the year 31 December 2018, an amount of SR 9.1 million (2017: SR 8.2 million) was recognized as an expense in the consolidated statement of income under general and administration expenses and cost of revenue.

Contingent liabilities

The Group's bankers have issued, on its behalf, guarantees amounting to SR 10,000,000 (31 December 2017; SR 10,000,000; 1 January 2017: SR 10,000,000) in respect of contract performance, in the normal course of business.

36 Company's operations

Following are Company's branches details as at 31 December 2018:

Name	***Commercial Registration Number***	***Commercial Registration Date***
Al Yasameen	1010465207	2 Safar 1438H
Al Moroj	1010436553	28 Shawwal 1436H
Al Taawon	1010427484	9 Muhurram 1435H
Ar Rass	1132010275	7 Dhul-Qadah 1435H
Al Rawdah	1010465209	2 Safar 1438H
Al Mohamadia	1010434669	21 Shaban1436H
Al Kharj	1011139356	25 Rabi Awal 1440H
Suwaidi	1010427485	9 Muhurram 1435H
Medina	4650074415	7 Dhul-Qadah 1435H
Buraydah 1	1131056729	29 Jumad Awal 1437H
Ha'il	3350043316	27 Rabi Thani 1436H
Khurais	1010436554	28 Shawwal 1436H
Unaizah	1128019121	15 Rabi Awal 1436H
Jeddah - Naeem	4030278496	9 Muhurram 1435H
Jeddah – Al Marwa	4030296922	20 Muhurram 1439H
Dammam	2050111011	29 Safar 1438H
Abha	5850071792	23 Rabi Thani 1439H
Al Qassim Buradah 2	1131291194	3 Jumad Thani 1439H