

**Emirates NBD Capital KSA
(A Saudi Closed Joint Stock Company)**

FINANCIAL STATEMENTS

31 DECEMBER 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Emirates NBD Capital KSA

(A Saudi Closed Joint Stock Company)

Opinion

We have audited the financial statements of Emirates NBD Capital KSA, a Saudi Closed Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in Shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standard that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements that are endorsed by Saudi Organization for Certified Public Accountants, the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Emirates NBD Capital KSA
(A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Emirates NBD Capital KSA
(A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

For Ernst & Young



Abdulaziz A. Al-Sowailim
Certified Public Accountant
License No. 277



Riyadh: 28 Rajab 1440H
(4 April 2019)

Emirates NBD Capital KSA
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	31 December 2018 SR	31 December 2017 SR (See note 4)	1 January 2017 SR (See note 4)
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	5	512,308	53,085	115,118
Intangible assets	6	36,938	68,017	89,429
TOTAL NON-CURRENT ASSETS		549,246	121,102	204,547
CURRENT ASSETS				
Due from related parties	7	-	1,036,418	674,969
Prepayments and other receivables	8	4,167,383	4,679,276	5,640,969
Term deposit	9	42,000,000	42,000,000	39,000,000
Cash and cash equivalents	10	31,038,257	36,001,199	7,193,796
TOTAL CURRENT ASSETS		77,205,640	83,716,893	52,509,734
TOTAL ASSETS		77,754,886	83,837,995	52,714,281
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	11	100,000,000	115,000,000	115,000,000
Proposed increase in share capital	11	-	30,000,000	-
Accumulated losses		(33,550,032)	(70,201,680)	(70,364,766)
TOTAL SHAREHOLDERS' EQUITY		66,449,968	74,798,320	44,635,234
LIABILITIES				
NON-CURRENT LIABILITY				
Employees' end of service benefit obligation	12	860,475	1,757,307	1,452,103
CURRENT LIABILITIES				
Zakat payable	13	7,893,700	4,493,351	4,321,856
Due to related parties	7	878,628	540,280	558,116
Accruals and other payables	14	1,672,115	2,248,737	1,746,972
TOTAL CURRENT LIABILITIES		10,444,443	7,282,368	6,626,944
TOTAL LIABILITIES		11,304,918	9,039,675	8,079,047
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		77,754,886	83,837,995	52,714,281

The attached notes 1 to 24 form an integral part of these financial statements.

Emirates NBD Capital KSA
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	Year ended 31 December	
		2018 SR	2017 SR
Revenue	15	7,517,788	10,721,733
General and administrative expenses	16	(12,648,232)	(11,455,081)
LOSS FROM MAIN OPERATIONS		(5,130,444)	(733,348)
Other (expenses)/ income, net	17	(103,138)	1,379,154
Finance income		1,444,316	949,540
(LOSS) PROFIT BEFORE ZAKAT		(3,789,266)	1,595,346
Zakat charge	13	(4,600,349)	(1,339,590)
(LOSS) PROFIT FOR THE YEAR		(8,389,615)	255,756
Other comprehensive income (loss) that will not be reclassified subsequently to profit or loss:			
Remeasurement gains (losses) of employees' end of service benefit	12	41,263	(92,670)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		(8,348,352)	163,086

The attached notes 1 to 24 form an integral part of these financial statements.

Emirates NBD Capital KSA
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

For the year ended 31 December 2018

	<i>Share capital</i> SR	<i>Proposed increase in capital</i> SR	<i>Accumulated losses</i> SR	<i>Total</i> SR
Balance at 1 January 2017 (See note 4)	115,000,000	-	(70,364,766)	44,635,234
Comprehensive income:				
Profit for the year	-	-	255,756	255,756
Other comprehensive loss for the year	-	-	(92,670)	(92,670)
Total comprehensive income for the year	-	-	163,086	163,086
Proposed increase in capital (See note 11)	-	30,000,000	-	30,000,000
Balance at 31 December 2017 (See note 4)	115,000,000	30,000,000	(70,201,680)	74,798,320
Comprehensive loss:				
Loss for the year	-	-	(8,389,615)	(8,389,615)
Other comprehensive income for the year	-	-	41,263	41,263
Total comprehensive loss for the year	-	-	(8,348,352)	(8,348,352)
Increase in capital (See note 11)	30,000,000	(30,000,000)	-	-
Transfer to accumulated losses (See note 11)	(45,000,000)	-	45,000,000	-
Balance at 31 December 2018	100,000,000	-	(33,550,032)	66,449,968

The attached notes 1 to 24 form an integral part of these financial statements.

Emirates NBD Capital KSA
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	Year ended 31 December	
		2018 SR	2017 SR
OPERATING ACTIVITIES			
(Loss) profit before Zakat		(3,789,266)	1,595,346
<i>Adjustments for:</i>			
Depreciation and amortization	5,6	113,991	106,245
Provision for employees' end of service benefit	12	185,008	212,534
Provision against fee receivables	8	-	112,500
		<u>(3,490,267)</u>	<u>2,026,625</u>
<i>Changes in operating assets and liabilities:</i>			
Prepayments and other receivables		511,893	849,193
Due from related parties		1,036,418	(361,449)
Accruals and other payables		(576,622)	501,765
Due to related parties		338,348	(17,836)
		<u>(2,180,230)</u>	<u>2,998,298</u>
Net cash (used in) generated from operations		(2,180,230)	2,998,298
Zakat paid	13	(1,200,000)	(1,168,095)
Employees' end of service benefit paid	12	(1,040,577)	-
		<u>(4,420,807)</u>	<u>1,830,203</u>
Net cash (used in) from operating activities		(4,420,807)	1,830,203
INVESTING ACTIVITIES			
Term deposit		-	(3,000,000)
Purchase of property and equipment	5	(542,135)	(14,800)
Purchase of intangible assets	6	-	(8,000)
		<u>(542,135)</u>	<u>(3,022,800)</u>
Cash used in investing activities		(542,135)	(3,022,800)
FINANCING ACTIVITY			
Proposed increase in share capital	11	-	30,000,000
		<u>-</u>	<u>30,000,000</u>
Cash from financing activity		-	30,000,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		(4,962,942)	28,807,403
		<u>36,001,199</u>	<u>7,193,796</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	10	<u><u>31,038,257</u></u>	<u><u>36,001,199</u></u>
<i>Significant non-cash transactions:</i>			
Absorption of losses	11	45,000,000	-
		<u>45,000,000</u>	<u>-</u>
Increase in share capital	11	30,000,000	-
		<u>30,000,000</u>	<u>-</u>

The attached notes 1 to 24 form an integral part of these financial statements.

1 ACTIVITIES

Emirates NBD Capital KSA (the “Company”) is a Saudi Closed Joint Stock Company, registered in Riyadh, Kingdom of Saudi Arabia. The Company is incorporated and domiciled under commercial registration number 1010248476 dated 13 Rabi Thani 1429H (corresponding to 20 April 2008).

The Company is owned 95% by Emirates NBD Bank (the “Bank”), registered in the United Arab Emirates and 5% by Emirates Financial Services, a subsidiary of Emirates NBD Bank.

On 12 January 2018, the Company’s legal form was converted from a limited liability company to a closed joint stock company. The share capital and shareholders of the Company have remained unaltered after the conversion, except for the total number of shares which has been changed from 145,000 share of SR 1,000 each to 14,500,000 share of SR 10 each. The Company has obtained the approval from the Ministry of Commerce and Investment for this conversion.

The Company is acting as principle, agent under writing, managing, arranging, advising and custodial services in accordance with license number 07086-37 dated 8 Shaba’an 1428H (corresponding to 21 August 2007) from the Capital Market Authority (“CMA”).

The registered address of the Company is as follows:

Emirates NBD Capital KSA
P.O. Box 34177
King Fahad Road
Riyadh 11333, Kingdom of Saudi Arabia

2 BASIS OF PREPARATION

2.1 *Statement of compliance*

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (“SOCPA”), collectively hereafter referred to as “IFRS as endorsed in KSA”.

For all periods up to and including year ended 31 December 2017, the Company prepared its financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia as issued by SOCPA (the “Saudi GAAP”). These financial statements for the year ended 31 December 2018 are the first the Company has prepared in accordance with IFRS as endorsed in KSA. Refer to note 4 for information on how the Company adopted IFRS as endorsed in KSA.

The financial statements have been prepared on a historical cost basis of accounting and are presented in Saudi Riyals (“SR”), which is the Company’s functional currency. All financial information has been rounded off to the nearest unit, unless otherwise indicated.

2.2 *Significant accounting judgments, estimates and assumptions*

IFRS 1 as endorsed in KSA “First-time Adoption of International Financial Reporting Standards” requires that an entity’s accounting policies used in preparing its opening statement of financial position and throughout all periods presented comply with IFRS as endorsed in KSA. Accordingly, the IFRS endorsed in KSA issued and effective as at 31 December 2018 have been applied in preparing the financial statements as at and for the year ended 31 December 2018, the comparative information presented as at and for the year ended 31 December 2017, and in preparation of the opening statement of financial position as at 1 January 2017. The impacts of the transition to IFRS as endorsed in KSA for the comparative information is presented in note 4.

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent 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.

2 BASIS OF PREPARATION (continued)

2.2 Significant accounting judgments, estimates and assumptions (continued)

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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year include:

2.2.1 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit 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 are 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.

2.2.2 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 is based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

2.2.3 Employee end of service benefit

Employee end of service benefit represents obligations that will be settled in the future and requires assumptions to estimate future obligations. The accounting standard requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates and employment turnover. Management of the Company 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 benefit costs incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

3.1 *Current versus non-current classification*

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised 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

A liability is classified as 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 Company classifies all other assets and liabilities as non-current.

3.2 *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 principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Financial instruments are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 *Financial instruments*

a) **Recognition, classification and presentation**

The Company determines the classification of its financial instruments at initial recognition.

The Company classifies its financial assets in the following categories:

- a) Fair value (either through other comprehensive income or through profit or loss); and
- b) Amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Company has classified all the non-derivative financial liabilities at amortised cost.

b) **Measurement**

Initial measurement

Financial assets and financial liabilities are measured initially at fair value including transaction costs that are directly attributable to the acquisition of financial assets and liabilities, except for financial assets and liabilities at fair value through profit or loss where transaction costs directly attributable to the acquisition of financial assets or liabilities are charged to profit or loss.

Subsequent measurement of financial assets

The subsequent measurement of the non-derivative financial assets depends on their classification as follows:

i) Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest rate ('EIR') method. Interest income from these financial assets is included in finance income.

Receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. An allowance for doubtful debts is made based upon Company's best estimate of expected credit losses related to those receivables.

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

Financial assets measured at fair value through other comprehensive income ("FVOCI") are re-measured to fair value at each financial reporting date. No deduction is made for transaction costs that might be incurred when the asset is disposed of in the future.

When the financial asset is derecognized, the accumulated fair value adjustments that are recognised in OCI is reclassified to profit or loss. However, there is no subsequent reclassification of fair value gains and losses to profit or loss in case of equity instruments.

iii) Financial assets carried at fair value through profit or loss (FVTPL)

The financial assets measured at fair value through profit or loss ("FVTPL") are re-measured to fair value at each financial reporting date without the deduction of transaction costs that the Company may incur on sale or disposal of the financial asset in future.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Financial instruments (continued)

b) Measurement (continued)

Subsequent measurement of financial assets (continued)

The recognition and presentation of gains and losses for each measurement category are as follows:

Measurement category	Recognition and presentation of gains and losses
Amortised cost	<p>The following items, if any, are recognized in profit or loss:</p> <ul style="list-style-type: none"> • interest revenue using the effective interest method; • expected credit losses and reversals; and • foreign exchange gains and losses. <p>When the financial asset is derecognized, the gain or loss is recognized in profit or loss.</p>
FVOCI	<p>Gains and losses are recognized in OCI, except for the following items, which are recognized in profit or loss in the same manner as for financial assets measured at amortised cost:</p> <ul style="list-style-type: none"> • interest revenue using the effective interest method; • expected credit losses and loss reversals; and • foreign exchange gains and losses.
Equity investments – presentation of gains or losses in OCI	<p>Gains and losses are recognized in OCI. Dividends are recognized in profit or loss unless they clearly represent a repayment of part of the cost of the investment. The amounts recognized in OCI are not reclassified to profit or loss under any circumstances.</p>
FVTPL	<p>Gains and losses, both on subsequent measurement and derecognition, are recognized in profit or loss.</p>

Subsequent measurement of financial liabilities

Subsequent to initial recognition, financial liabilities are measured at amortised cost calculated under the effective interest method except for the liabilities measured at fair value through profit or loss.

Gains or losses on financial liabilities that are measured at fair value are recognized in profit or loss. The only exception is for gains and losses on certain financial liabilities designated as FVTPL when the entity is required to present the effects of changes in the issuer's credit risk in OCI.

The Company's financial liabilities at amortized cost includes due to related parties and accruals and other payables.

Financial liabilities at fair value through profit or loss include:

1. Liabilities held for trading; and
2. Those designated at FVTPL.

Impairment of financial instruments

The Company assesses the expected credit losses associated with its assets carried at amortised cost and debt instrument carried at fair value through OCI, if any. The Company's financial assets mainly comprise of receivables with no financing component and mature within 12 months and therefore for credit risk, the Company applies simplified approach of IFRS 9 and measures expected credit losses using a lifetime expected loss allowance for accounts receivable.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 *Financial instruments (continued)*

Derecognition of financial assets

The financial assets are derecognized from the statement of financial position when the rights to receive cash flows from the financial assets have expired or have been transferred or transferred substantially all risks and rewards of ownership. The difference in the carrying amount is recognized in statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

The financial liabilities are derecognized when the underlying obligations are extinguished, discharged, lapsed, cancelled, expires or legally released.

Offsetting of financial instruments

Financial asset and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company has legally enforceable right to offset and the recognized amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.4 *Cash and cash equivalents*

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

3.5 *Prepayments and other receivables*

Prepayments are recognized in the event that payment has been made in advance of obtaining right of access to receipt of services and measured at nominal amounts. These are derecognized and charged to profit or loss either with the passage of time or through use or consumption.

Prepayments are included in current assets, except when the related goods or services are expected to be received and rendered more than twelve months after the end of the reporting period, in which case, these are classified as non-current assets.

3.6 *Property and equipment*

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment if the recognition criteria are met.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

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

The cost of property and equipment is depreciated on the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	5 years
Office equipment and computers	4 years
Furniture and fixtures	4 years

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 *Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

3.8 *Impairment of non-financial assets*

The carrying values of non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Value in use requires entities to make estimates of future cash flows to be derived from the particular asset, and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset. Impairment losses, if any, are recognized in profit or loss within other expenses.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When impairment loss subsequently reverses, the carrying amount of the assets or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of previously recorded impairment provisions are credited against provision account in of profit or loss.

3.9 *Provisions*

Provisions are recognized when the Company 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. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a financial charge.

3.10 *Related party transactions and relationships*

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities, which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

3.11 *Employees' end of service benefit*

The level of benefit provided is based on the length of service and earnings of the person entitled and computed in accordance with the rules stated under the Saudi Arabian Labour Law.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Employees' end of service benefit (continued)

The discount rate applied in arriving at the present value of the end of service benefit obligation represents the yield on government bonds, by applying a single discount rate that approximately reflects the estimated timing and amount of benefit payments.

End of service benefit costs are categorised as follows:

- i) current service cost (increase in the present value of end of service benefit obligation resulting from employee service in the current period)
- ii) interest expense (calculated by applying the discount rate at the beginning of the period to the end of service benefit liability); and
- iii) remeasurement

Current service cost and the interest expense arising on the end of service benefit liability are included in the same line items in profit or loss and other comprehensive income as salaries and employee related expenses.

Remeasurement, comprising actuarial gains and losses, is recognised in full in the period in which they occur, in OCI without recycling to the profit or loss in subsequent periods. Amounts recognised in OCI are recognised immediately in retained earnings.

3.12 Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must transfer 10% of its net income for the period until it has built up a reserve equal to 30% of the share capital. The reserve is not available for distribution. No transfer has been made to the statutory reserve in the current and prior year as the Company has accumulated losses.

3.13 Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations and is charged to profit or loss.

3.14 Revenue recognition

The Company uses the five-step model of revenue recognition as described in IFRS 15 as endorsed in KSA "Revenue from Contracts with Customers". In particular, the Company has the following policies with respect to identification of performance obligations, allocation of the transaction price and recognition of revenue allocated to each performance obligation.

Identification of performance obligations:

At the inception of each contract entered into with a customer, the Company identifies the services promised in the contract and assesses whether the same are 'distinct' and, hence, are separate performance obligations. Services promised to be transferred to the customer are deemed to be distinct when the customer can benefit from the service either on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the service to the customer is separately identifiable from other promises in the contract.

Allocation of the transaction price:

The Company determines the transaction price in accordance with the requirements of IFRS 15 as endorsed in KSA and allocates it to each of the performance obligations identified in the contract based on the relative stand-alone selling prices of the services (whether directly observable or estimable).

Recognition of revenue allocated to each performance obligation:

The Company recognizes the revenue from each performance obligation over time based on the measure of progress towards complete satisfaction of the performance obligation. This is based on the Company's assessment that the customer simultaneously receives, and consumes the benefit embodied in, the services.

The Company's approach to assessment of measure of progress towards complete satisfaction of each performance obligation varies depending upon the nature of the promised services.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Revenue recognition (continued)

The Company is in the business of providing arranging, dealing, asset management and custody services. Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those or services. Specific details for each type of revenue are set out below

a) *Arranging services*

Arranging services represent the services performed to the customers for arranging securities market advice and obtaining approval from the legal authorities for treatment of such advices. The Company is usually acting as an agent in these arrangements. The Company's revenue is in the form of fixed commission.

When another party is involved in providing services to its customer, the Company determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Company is a principal and records revenue on a gross basis if it controls the promised services before transferring them to the customer. However, if the Company's role is only to arrange for another entity to provide the services, then the Company is an agent and will need to record revenue at the net amount that it retains for its agency services.

Revenue from arranging services is recognized at a point in time when it satisfies its promise to facilitate the service.

b) *Dealing*

The Company carries out activity under its license as principal as well as an agent. Dealing service is extended to customers for trading in Tadawul in KSA as well as UAE markets.

The Company's performance obligations represent the execution of the trades requested by the customers. Transaction price for each performance obligation is pre-agreed. Revenue is recognised at a point in time when the deals are executed by the Company.

c) *Custody services*

Securities custody activity is the regular source of income for the Company. The Company is providing service relating to equity custody as well as real estate custody. Customers appoint the Company to be the custodian of assets pledged as collateral or being the custodian of the real-estate properties for real estate funds.

Agreements by the Company are entered into either on a fixed fee or based on a percentage of asset values. The fees are defined in the agreement and there is no variable consideration identified in the agreements. The Company's obligations are defined to be being the custodian of the assets. The services are performed over time and revenue is recognised on a straight line basis distributed over the length of the contract on the contract value.

d) *Asset management services*

Asset management services involve managing securities belonging to other parties in circumstances involving the exercise of discretion. Asset management fees is charged to the funds under the management of the Company and other discretionary portfolios. The Company's performance obligation as per these agreements is to manage the assets under these funds and trading in the market for value maximization.

The Company's performance obligation is satisfied over time as asset management services is a continuous supply of services to the customer. Revenue is recognised on a straight line basis distributed over the length of the contract on the contract value.

3.15 Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

3.16 Expenses

Expenses are recognised when incurred based on the accrual basis of accounting.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Operating lease

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

3.18 Foreign currencies

Transactions in foreign currencies are recorded in functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

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

3.19 Standards and interpretations issued but not yet effective

A number of standards and interpretations have been issued, but are not effective, up to the date of issuance of the Company's financial statements and are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

New and revised IFRS

Effective for annual periods beginning on or after

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Deferred indefinitely
Amendments to IFRS 9 Financial Instruments relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:	1 January 2019
<ul style="list-style-type: none">• whether tax treatments should be considered collectively;• assumptions for taxation authorities' examinations;• the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and• the effects of changes in facts and circumstances	

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Standards and interpretations issued but not yet effective (continued)

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 16 Leases IFRS 16 is applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, <i>Leases</i> , which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. The Company is still in the process of assessing the potential impact of adopting the new standard in the financial statements.	1 January 2019
Amendments to IAS 28 Investment in Associates and Joint Ventures relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2021
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2022.	1 January 2021

4 FIRST-TIME ADOPTION OF IFRS AS ENORSED IN KSA

These financial statements, for the year ended 31 December 2018, are the first the Company has prepared in accordance with IFRS as endorsed in KSA. For periods up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with the Saudi GAAP.

Since these are the first financial statements where IFRS as endorsed in KSA has been adopted, the Company is required to comply with the requirements of IFRS 1 as endorsed in KSA. As per IFRS 1 as endorsed in KSA, the financial statements are required to be prepared and presented as if the IFRS as endorsed in KSA were adopted for all the periods presented.

In preparing its opening statement of financial position (as at 1 January 2017; the date of Company's transition to IFRS as endorsed in KSA), the Company has analysed the impacts and adjusted and reclassified certain balances that were previously reported under the Saudi GAAP.

The following note explains how the transition to IFRS as endorsed in KSA has affected the financial position and financial performance of the Company.

There were no material adjustments to the statement of cash flows as a result of the first-time adoption of IFRS as endorsed in KSA.

4 FIRST-TIME ADOPTION OF IFRS AS ENORSED IN KSA (continued)

4.1 IFRS 1 as endorsed in KSA optional exemptions and estimates

1. IFRS 1 as endorsed in KSA allows first-time adopters certain optional exemptions from the retrospective application of certain requirements under IFRS as endorsed in KSA. The Company has not availed any of those optional exemptions.
2. Estimates at 1 January 2017 are consistent with those made for the same dates in accordance with the Saudi GAAP (after adjustments to reflect any differences in accounting policies) apart from:

a) employees' terminal benefit liabilities where application of the Saudi GAAP did not require estimation and;

b) impairment provisions against doubtful receivables which is now based on an expected credit loss basis.

Estimates used by the Company to present the amount in accordance with IFRS as endorsed in KSA reflect conditions at 1 January 2017, the date of transition to IFRS as endorsed in KSA and as at 31 December 2017.

4.2 Reconciliation of the Company's statement of profit or loss and other comprehensive income for the year ended 31 December 2017

	Notes	Saudi GAAP SR	Transition adjustments SR	IFRS as endorsed in KSA SR
Revenue		10,721,733	-	10,721,733
General and administrative expenses	A	(11,579,029)	123,948	(11,455,081)
Loss from main operations		(857,296)	123,948	(733,348)
Other income		1,379,154	-	1,379,154
Finance income		949,540	-	949,540
Profit before Zakat		1,471,398	123,948	1,595,346
Zakat charge		(1,339,590)	-	(1,339,590)
Profit for the year		131,808	123,948	255,756
Other comprehensive income that will not be reclassified subsequently to profit or loss:				
Remeasurement gains (losses) of employees' end of service benefit	A	-	(92,670)	(92,670)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		131,808	31,278	163,086

4 FIRST-TIME ADOPTION OF IFRS AS ENORSED IN KSA (continued)

4.3 Reconciliation of the Company's statement of financial position as at 31 December 2017

	Notes	Saudi GAAP SR	Transition adjustments SR	IFRS as endorsed in KSA SR
ASSETS				
NON-CURRENT ASSETS				
Property and equipment		53,085	-	53,085
Intangible assets		68,017	-	68,017
TOTAL NON-CURRENT ASSETS		121,102	-	121,102
CURRENT ASSETS				
Due from related parties		1,036,418	-	1,036,418
Prepayments and other receivables		4,679,276	-	4,679,276
Term deposit		42,000,000	-	42,000,000
Cash and cash equivalents		36,001,199	-	36,001,199
TOTAL CURRENT ASSETS		83,716,893	-	83,716,893
TOTAL ASSETS		83,837,995	-	83,837,995
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital		115,000,000	-	115,000,000
Proposed increase in share capital		30,000,000	-	30,000,000
Accumulated losses	A	(70,147,045)	(54,635)	(70,201,680)
TOTAL SHAREHOLDERS' EQUITY		74,852,955	(54,635)	74,798,320
LIABILITIES				
NON-CURRENT LIABILITY				
Employees' end of service benefit obligation	A	1,702,672	54,635	1,757,307
CURRENT LIABILITIES				
Zakat payable		4,493,351	-	4,493,351
Due to related parties		540,280	-	540,280
Accruals and other payables		2,248,737	-	2,248,737
TOTAL CURRENT LIABILITIES		7,282,368	-	7,282,368
TOTAL LIABILITIES		8,985,040	54,635	9,039,675
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		83,837,995	-	83,837,995

4 FIRST-TIME ADOPTION OF IFRS AS ENORSED IN KSA (continued)

4.4 Reconciliation of the Company's statement of financial position as at 1 January 2017

	Notes	Saudi GAAP SR	Transition Adjustments SR	IFRS as endorsed in KSA SR
ASSETS				
NON-CURRENT ASSETS				
Property and equipment		115,118	-	115,118
Intangible assets		89,429	-	89,429
TOTAL NON-CURRENT ASSETS		204,547	-	204,547
CURRENT ASSETS				
Due from related parties		674,969	-	674,969
Prepayments and other receivables		5,640,969	-	5,640,969
Term deposit		39,000,000	-	39,000,000
Cash and cash equivalents		7,193,796	-	7,193,796
TOTAL CURRENT ASSETS		52,509,734	-	52,509,734
TOTAL ASSETS		52,714,281	-	52,714,281
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital		115,000,000	-	115,000,000
Accumulated losses	A	(70,278,853)	(85,913)	(70,364,766)
TOTAL SHAREHOLDERS' EQUITY		44,721,147	(85,913)	44,635,234
LIABILITIES				
NON-CURRENT LIABILITY				
Employees' end of service benefit obligation	A	1,366,190	85,913	1,452,103
CURRENT LIABILITIES				
Zakat payable		4,321,856	-	4,321,856
Due to related parties		558,116	-	558,116
Accruals and other payables		1,746,972	-	1,746,972
TOTAL CURRENT LIABILITIES		6,626,944	-	6,626,944
TOTAL LIABILITIES		7,993,134	85,913	8,079,047
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		52,714,281	-	52,714,281

4 FIRST-TIME ADOPTION OF IFRS AS ENORSED IN KSA (continued)

4.5 Notes to the Company's reconciliation for statement of profit or loss and other comprehensive income and statement of financial position

A Provision for employees' end of service benefit

Under the Saudi GAAP, the Company calculated the provision for employees' end of service benefit at the current value of the vested benefits to which the employees were entitled as per law, should the employee leave at the reporting date. Under IAS 19 as endorsed in KSA, "*Employee end of service Benefit*", employees' end of service benefit obligation measurement involves making a reliable estimate of the ultimate cost to the Company of the benefit that employees have earned in return for their service using actuarial assumptions. The obligation is measured using projected unit credit method.

As a result of applying IFRS as endorsed in KSA as described above, liability recognised for employees' end of service benefit was adjusted against accumulated losses as at 1 January 2017, and an adjustment to the statement of profit or loss and OCI for the year ended 31 December 2017 was also made.

The impact arising from the above change is summarised as follows:

Statement of financial position	<i>31 December 2017 SR</i>	<i>1 January 2017 SR</i>
Increase in employees' end of service benefit obligation	54,635	85,913
Increase in accumulated losses	(54,635)	(85,913)
 Statement of profit or loss and other comprehensive income		 <i>For the year ended 31 December 2017 SR</i>
Decrease in general and administrative expenses		123,948
Increase in other comprehensive loss		(92,670)
Adjustment to total comprehensive income		<u>31,278</u>

5 PROPERTY AND EQUIPMENT

The cost of property and equipment is depreciated on a straight-line basis over the following estimated useful lives:

	5 years	Furniture and fixtures	4 years		
Leasehold improvements	5 years				
Office equipment and computers	4 years				
	<i>Leasehold improvements</i>	<i>Furniture and fixtures</i>	<i>Office equipment and computers</i>	<i>Capital work in progress</i>	<i>Total</i>
	SR	SR	SR	SR	SR
2018					
<i>Cost:</i>					
At 1 January 2018	5,150,842	1,555,368	2,284,960	-	8,991,170
Additions during the year	-	-	116,579	425,556	542,135
At 31 December 2018	<u>5,150,842</u>	<u>1,555,368</u>	<u>2,401,539</u>	<u>425,556</u>	<u>9,533,305</u>
<i>Accumulated depreciation:</i>					
At 1 January 2018	5,150,842	1,555,368	2,231,875	-	8,938,085
Depreciation charge for the year	-	-	82,912	-	82,912
At 31 December 2018	<u>5,150,842</u>	<u>1,555,368</u>	<u>2,314,787</u>	<u>-</u>	<u>9,020,997</u>
<i>Net book amount:</i>					
At 31 December 2018	<u>-</u>	<u>-</u>	<u>86,752</u>	<u>425,556</u>	<u>512,308</u>
	<i>Leasehold improvements</i>	<i>Furniture and fixtures</i>	<i>Office equipment and computers</i>	<i>Total</i>	
	SR	SR	SR	SR	
2017					
<i>Cost:</i>					
At 1 January 2017	5,150,842	1,555,368	2,270,160	8,976,370	
Additions during the year	-	-	14,800	14,800	
At 31 December 2017	<u>5,150,842</u>	<u>1,555,368</u>	<u>2,284,960</u>	<u>8,991,170</u>	
<i>Accumulated depreciation:</i>					
At 1 January 2017	5,150,842	1,555,368	2,155,042	8,861,252	
Depreciation charge for the year	-	-	76,833	76,833	
At 31 December 2017	<u>5,150,842</u>	<u>1,555,368</u>	<u>2,231,875</u>	<u>8,938,085</u>	
<i>Net book amount:</i>					
At 31 December 2017	<u>-</u>	<u>-</u>	<u>53,085</u>	<u>53,085</u>	
At 1 January 2017	<u>-</u>	<u>-</u>	<u>115,118</u>	<u>115,118</u>	

6 INTANGIBLE ASSETS

Intangible assets represent computer softwares acquired by the Company to support its operations. This has an estimated useful life of 5 years.

	<i>31 December 2018</i>	<i>31 December 2017</i>
	SR	SR
<i>Cost:</i>		
At 1 January	510,018	502,018
Additions during the year	-	8,000
	<hr/>	<hr/>
At 31 December	510,018	510,018
	<hr/>	<hr/>
<i>Accumulated amortisation:</i>		
At 1 January	442,001	412,589
Amortisation charge for the year	31,079	29,412
	<hr/>	<hr/>
At 31 December	473,080	442,001
	<hr/>	<hr/>
<i>Net book amount</i>	36,938	68,017
	<hr/> <hr/>	<hr/> <hr/>
<i>Net book amount at 1 January 2017</i>		89,429
		<hr/> <hr/>

7 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is a member of group of companies which are directly or indirectly controlled by the ultimate parent undertaking, Emirates NDB Bank, a company registered in – United Arab Emirates, which is also the Company's immediate parent entity.

<i>Name of related parties with which the Company transacts usually</i>	<i>Relationship</i>
Emirates NBD (the "Bank")	Shareholder
Emirates Financial Services - Dubai	Shareholder
Emirates NBD Bank – Riyadh Branch (the "Branch")	Affiliate
Emirates NBD Bank – Private Banking Dubai	Affiliate
Emirates NBD Asset Management Limited	Affiliate
ENBD Securities	Affiliate

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The following are the details of major related party transactions during the year:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amounts of transactions</i>	
		<i>2018</i>	<i>2017</i>
		<i>SR</i>	<i>SR</i>
Emirates NBD Bank – Riyadh Branch (the “Branch”)	Finance income -non-regulatory (See note 9)	1,444,316	949,540
	Custody fees (See note 7a (iii))	3,741,659	5,886,125
	Arranging fees (See note 7a (iv))	22,705	218,441
	Recharge of expenses (See note 7a (ii))	(127,629)	1,381,559
	Other costs (See note 7a (v))	534,572	583,142
Affiliates	Asset management fees (See note 7(b))	-	596,712
Board members	Independent Board members’ fee	191,613	240,000

The total amount of compensation paid to key management personnel during the year is as follows:

	<i>31 December</i>	<i>31 December</i>	<i>1 January</i>
	<i>2018</i>	<i>2017</i>	<i>2017</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Key management compensation	191,613	240,000	240,000

The Company’s related parties include its partners and their affiliated companies. The Company transacts with its related parties in the ordinary course of business. Transactions with related parties are undertaken at mutually agreed terms which are approved by the management.

a) *Transactions with the Bank/ the Branch:*

i) *Banking services*

The Bank through its Riyadh branch (the “Branch”) acts as the banker of the Company. An amount of SR 73 million (31 December 2017: SR 78 million; 1 January 2017: SR 46 million) is held in current and deposit accounts with the Branch at the balance sheet date (see notes 9 and 10).

ii) *Expenses charged back*

As per the agreement with the Private Banking Group of the Bank, the Company recharged cost of Private Banking staff and related expenses amounting to SR Nil (2017: SR 1.38 million). Also, certain expenses are charged to the Company for the services provided amounting to SR 0.13 million (2017: SR Nil).

iii) *Custody fees*

As per the agreement with the Private Banking Group of the Branch and Emirates NBD Dubai, the Company charges custody fees on shares held on Branch’s behalf. The income for 2018 amounted to SR 3.74 million (2017: SR 3.56 million).

Further, as per the agreement with the Private Banking Group of the Bank, the Company receives a proportion of the commission income earned from customers as custody fees on shares held on their behalf. The Company’s share of income for 2018 amounted to SR Nil (2017: SR 2.32 million).

iv) *Arranging fees*

The Company has entered into an agreement with Private Banking Group of the Bank in Dubai whereby the Company receives arranging fees on customers introduced to the Bank. The Company recorded an income of SR 0.02 million during 2018 in this respect (2017: SR 0.22 million).

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) Transactions with the Bank/ the Branch (continued):

v) Other cost sharing agreement

In ordinary course of business, the Company and the Branch transact with each other. Consequently, costs such as premises and rental are shared. The Company has been charged SR 0.53 million by the Branch during 2018 (2017: 0.58 million).

b) Transactions with affiliates:

Asset management and related fee

The Company has entered into an agreement with Emirates NBD Asset Management Limited (the "affiliate") whereby the Company receives commission on assets managed by the affiliate. The Company has recorded income amounting to SR Nil during 2018 (2017: SR 0.60 million).

7.1 Amounts due from and to related parties

i) Amounts due from related parties:

<i>Related parties</i>	<i>Balances</i>		
	<i>31 December</i>	<i>31 December</i>	<i>1 January</i>
	<i>2018</i>	<i>2017</i>	<i>2017</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Emirates NBD Bank – Private Banking Dubai	-	782,576	335,490
Emirates NBD Bank – KSA Branch	-	253,842	270,661
Emirates NBD Asset Management Limited	-	-	68,818
	<u>-</u>	<u>1,036,418</u>	<u>674,969</u>

ii) Amounts due to related parties:

<i>Related parties</i>	<i>Balances</i>		
	<i>31 December</i>	<i>31 December</i>	<i>1 January</i>
	<i>2018</i>	<i>2017</i>	<i>2017</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Emirates NBD – PJSC (the "Bank")	878,628	540,280	539,507
ENBD Securities	-	-	18,609
	<u>878,628</u>	<u>540,280</u>	<u>558,116</u>

8 PREPAYMENTS AND OTHER RECEIVABLES

	<i>31 December</i> <i>2018</i> SR	<i>31 December</i> <i>2017</i> SR	<i>1 January</i> <i>2017</i> SR
Margin deposit (See note 13)	3,221,856	3,221,856	3,221,856
Prepayments	391,605	764,381	848,272
Fees receivable (Note 8.1)	349,644	624,347	503,550
Accrued special commission	117,017	54,413	1,031,149
Other receivables	87,261	14,279	36,142
	<u>4,167,383</u>	<u>4,679,276</u>	<u>5,640,969</u>

8.1) Fees receivables as at 31 December 2018 is stated net of an impairment provision amounting to SR 112,500 (31 December 2017: SR 112,500, 1 January 2017: SR Nil).

9 TERM DEPOSIT

	<i>31 December</i> <i>2018</i> SR	<i>31 December</i> <i>2017</i> SR	<i>1 January</i> <i>2017</i> SR
Term deposit	<u>42,000,000</u>	<u>42,000,000</u>	<u>39,000,000</u>

Term deposit represents amount placed with Emirates NBD Bank – Riyadh Branch (the “Branch”) and has an original maturity of more than three months. It carries special commission at the rate of 3.35% per annum (31 December 2017: 2.12% per annum, 1 January 2017: 3% per annum).

10 CASH AND CASH EQUIVALENTS

	<i>31 December</i> <i>2018</i> SR	<i>31 December</i> <i>2017</i> SR	<i>1 January</i> <i>2017</i> SR
Cash in hand	17	17	17
Bank balances	6,038,240	36,001,182	7,193,779
Short term deposit	<u>25,000,000</u>	<u>-</u>	<u>-</u>
	<u>31,038,257</u>	<u>36,001,199</u>	<u>7,193,796</u>

Short term deposit represents amount placed with Emirates NBD Bank – Riyadh Branch (the “Branch”) and has an original maturity of less than three months. It carries special commission at the rate of 2.50%.

11 SHARE CAPITAL

The authorized, issued and paid-up share capital consists of 10,000,000 shares of SR 10 each as at 31 December 2018 (2017: 115,000 shares of SR 1,000 each). The current shareholding is as follows.

<i>Name</i>	<i>31 December</i> <i>2018</i>		<i>31 December</i> <i>2017</i>		<i>1 January</i> <i>2017</i>	
	<i>Number of</i> <i>shares</i>	<i>%</i>	<i>Number of</i> <i>shares</i>	<i>%</i>	<i>Number of</i> <i>shares</i>	<i>%</i>
Emirates NBD Bank	9,500,000	95%	109,250	95%	109,250	95%
Emirates Financial Services - Dubai	500,000	5%	5,750	5%	5,750	5%
	<u>10,000,000</u>	<u>100%</u>	<u>115,000</u>	<u>100%</u>	<u>115,000</u>	<u>100%</u>

11 SHARE CAPITAL (continued)

	<i>31 December</i> 2018 SR	<i>31 December</i> 2017 SR
At the beginning of the year	115,000,000	115,000,000
Increase in capital (11.1)	30,000,000	-
Decrease in capital (11.2)	(45,000,000)	-
At the end of the year	100,000,000	115,000,000

11.1) During 2018, the Company completed the legal formalities related to proposed increase in capital approved in 2017 and issued 30,000 shares of SR 1,000 each which were fully subscribed by its shareholders thus increasing the capital of the Company from SR 115 million to SR 145 million.

11.2) On 26 Dhul Qadah 1439H (corresponding to 8 August 2018), the Company's shareholders voted and agreed to decrease the capital of the Company from SR 145,000,000 to SR 100,000,000 and to transfer SR 45,000,000 to the accumulated losses of the Company to absorb its losses.

12 EMPLOYEES' END OF SERVICE BENEFIT

The Company's end of service benefit plan is an unfunded plan. Cash generated from operations are sufficient to meet end of service benefit obligations as they become due.

12.1 Changes in employees' end of service benefit liability

	2018 SR	2017 SR
At the beginning of the year	1,757,307	1,452,103
Interest expense	33,611	32,325
Current service cost	151,397	180,209
End of service expense recognised in profit or loss	185,008	212,534
Benefit paid during the year	(1,040,577)	-
Actuarial changes arising from changes in financial assumptions	-	-
Actuarial changes arising from experience adjustments	(41,263)	92,670
Actuarial (gain) /loss recognized in other comprehensive income	(41,263)	92,670
At the end of the year	860,475	1,757,307

12.2 Assumptions used and risks

The principal assumptions used in determining end of service benefit liability are shown below:

	2018 SR	2017 SR
Discount rate	3.50%	2.75%
Future increase in compensation	0-2.5%	0-2.5%
Weighted average number of years of future service	4.4	4.1

The end of service benefit typically exposes the Company to actuarial risks such as interest risk, longevity risk and salary risk as follows:

12 EMPLOYEES' END OF SERVICE BENEFIT (continued)

12.2 Assumptions used and risks (continued)

The end of service benefit typically exposes the Company to actuarial risks such as interest risk, longevity risk and salary risk as follows:

a) Interest risk

The discount rate used to calculate the present value of the end of service benefit obligation is estimated by reference to yields on the high quality corporate bonds. A decrease in the bond interest rate will increase the end of service benefit liability.

b) Longevity risk

The present value of the end of service benefit obligation is calculated by reference to the best estimate of the number of years of future employment. An increase in the number of the remaining years of employment will increase the end of service benefit liability.

c) Salary risk

The end of service benefit liability is calculated by reference to the best estimate of future salaries of employees. An increase in the salary of employees will increase the end of service benefit liability.

a. Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions on the end of service benefit liability as at 31 December 2018 and 2017 is as shown below:

	2018	2017
	SR	SR
Discount rate:		
1% increase	(49,505)	(53,053)
1% decrease	53,984	38,476
Weighted average of the annual increase in compensation used in the calculation of end of service		
1% increase	34,023	30,058
1% decrease	(31,653)	(27,791)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the end of service benefit liability as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the end of service benefit liability as it is unlikely that changes in assumptions would occur in isolation of one another.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the end of service benefit liability recognised in the statement of financial position. The methods and assumptions used in preparing the sensitivity analysis for the 2018 and 2017 presented above are the same.

13 ZAKAT

Charge for the year is as follows:

	2018 SR	2017 SR
Current year	1,876,049	1,271,495
Prior years	2,724,300	68,095
	<u>4,600,349</u>	<u>1,339,590</u>

Current zakat has been provided for based on 2.5% of the zakat base. The significant components of the zakat base of the Company as per the filed zakat declarations, which are subject to adjustments under the zakat regulations, are as follows:

	2018 SR	2017 SR
Equity	74,798,320	44,721,147
Opening allowances and other adjustments	5,437,721	4,519,951
Book value of long term assets as per the zakat return	(549,246)	(121,101)
	<u>79,686,795</u>	<u>49,119,997</u>
Adjusted (loss) / profit for the year	(4,644,835)	1,739,785
Zakat base	<u>75,041,960</u>	<u>50,859,782</u>
Zakat due at 2.5%	<u>1,876,049</u>	<u>1,271,495</u>

The differences between the financial and adjusted Zakatable income are mainly due to certain disallowed provisions.

Movement in provision is as follows:

	2018 SR	2017 SR
At the beginning of year	4,493,351	4,321,856
Provided during the year	4,600,349	1,339,590
Payments during the year	(1,200,000)	(1,168,095)
At the end of the year	<u>7,893,700</u>	<u>4,493,351</u>

13 ZAKAT (continued)

Status of assessments

For the years from 2008 to 2011 the General Authority of Zakat and Tax (the "GAZT") has raised an assessment assessing additional zakat on the Company amounting to SR 3,221,856. The Company has filed an appeal against the GAZT's assessment with Preliminary Committee for Zakat and Tax Appeals ("PCZTA"). During the year 2016, the PCZTA has issued its decision no. 15 of 1437H in favour of the GAZT. The Company decided to file an appeal before the Higher Appeal Committee ("HAC"). In order to file this appeal, the Company had to submit a bank guarantee of SR 3,221,856 for the additional zakat liability. The Company is currently awaiting the decision from HAC. However, in prior years, management decided to provide for the additional zakat liability in full.

For the years from 2012 to 2013, the Zakat returns have been submitted to the GAZT within the statutory deadlines. During the year 2018, the GAZT raised an assessment assessing additional zakat on the Company in the amount of SR 2,800,349 for the years 2012 and 2013. The Company filed appeal against the GAZT's assessment with PCZTA and is currently awaiting for PCZTA to arrange the hearing session. However, in the current year, management decided to provide for the additional zakat liability in full.

For the years from 2014 to 2017, the Zakat returns have been submitted to the GAZT within the statutory deadlines and Zakat due, as per the return, have been settled. The returns are still under review by the GAZT and assessments have not yet been issued.

14 ACCRUALS AND OTHER PAYABLES

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Employee related accruals	339,529	832,079	851,324
Accrued expenses and other payables	1,124,796	1,345,391	822,326
Withholding tax payable	207,790	71,267	73,322
	<u>1,672,115</u>	<u>2,248,737</u>	<u>1,746,972</u>

15 REVENUE

Set out below is the disaggregation of the Company's revenue from its contracts with customers:

a) Disaggregation by type of service

	2018 SR	2017 SR
<i>Type of service</i>		
Custody	4,139,770	6,224,812
Asset management	2,625,000	3,219,924
Dealing, net	711,663	1,058,556
Arranging	41,355	218,441
	<u>7,517,788</u>	<u>10,721,733</u>

b) Disaggregation by customer type

	2018 SR	2017 SR
<i>Type of customer</i>		
Related party	3,764,364	6,701,278
Non related party	3,753,424	4,020,455
	<u>7,517,788</u>	<u>10,721,733</u>

16 GENERAL AND ADMINISTRATIVE EXPENSES

	2018 SR	2017 SR
Salaries and employee related expenses	7,648,211	6,901,843
Professional and consulting fees	1,419,405	1,054,565
Repair and maintenance expense	883,566	978,844
Rent expense	534,572	583,142
Communication expense	650,660	637,480
Utilities expense	173,161	251,208
Depreciation and amortisation expense (see notes 5 and 6)	113,991	106,245
Others	1,224,666	941,754
	<u>12,648,232</u>	<u>11,455,081</u>

17 OTHER (EXPENSES)/ INCOME, NET

	2018 SR	2017 SR
Recharge to related parties, net	(127,629)	1,381,559
Foreign exchange gain (loss), net	24,491	(2,405)
	<u>(103,138)</u>	<u>1,379,154</u>

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial assets consist of cash and cash equivalents, term deposit, due from related parties and other receivables. Financial liabilities consist of due to related parties and accruals and other payables and due to related parties. The fair values of financial assets and financial liabilities of the Company at the reporting date approximate their carrying values. All financial assets and financial liabilities of the Company are classified with level 2 of the fair value hierarchy.

19 FINANCIAL RISK MANAGEMENT

The principal financial risks faced by the Company relate to market risk (including foreign currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no significant changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous period.

The Board has overall responsibility for setting the Company's risk management objectives and policies and the Company's finance function assist the Board in discharging its responsibility by designing and operating processes that ensure the effective implementation of the objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk to the minimum.

19 FINANCIAL RISK MANAGEMENT (continued)

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk and currency risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate due to changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue and expense are denominated in a foreign currency). The Company did not undertake any significant transactions in currencies other than Saudi Riyals and US Dollars during the year. As Saudi Riyal is pegged to the US Dollar, balances in US Dollar are not considered to represent significant currency risk. The Company manages currency risk exposure to other currencies by continuously monitoring the currency fluctuations. As at the reporting date, the Company's exposure to foreign currency balances was not significant.

Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's term deposits are placed with the Bank with fixed interest rate. The Company does not have any significant exposure to special commission rate risk as it does not have any floating special commission rate bearing financial assets or liabilities as at the reporting date and does not carry any fixed special commission bearing financial instruments at fair value.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Cash is placed with banks having sound credit ratings and usually with the parent entity. The Company seeks to limit its credit risk with respect to counterparties by setting credit limits for individual counterparties and by monitoring outstanding receivables.

The table below shows the Company's maximum exposure to credit risk for the components of the statement of financial position:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Bank Balances	31,038,240	36,001,182	7,193,779
Term deposit	42,000,000	42,000,000	39,000,000
Due from related parties	-	1,036,418	674,969
Other receivables	553,922	693,039	1,570,541
	<u>73,592,162</u>	<u>79,730,639</u>	<u>48,439,289</u>

The Company applies IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for receivables.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Company manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Company limits its liquidity risk by ensuring that sufficient funds are available from its shareholders and from bank facilities.

The undiscounted value of the financial liabilities of the Company at the reporting date approximate their carrying values and are all payable within 12 months of the reporting date.

20 COMMITMENT AND CONTIGENCES

The Company has an operating lease agreement for office space. The Company has an option to renew the lease agreement upon expiry.

The future minimum lease payments under the lease agreement as follow:

	<i>31 December</i> <i>2018</i> <i>SR</i>	<i>31 December</i> <i>2017</i> <i>SR</i>	<i>1 January</i> <i>2017</i> <i>SR</i>
Within one year	152,000	534,572	534,545
Between two and five years	-	-	-
	152,000	534,572	534,545

21 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to maximise the returns to the shareholders. It is the Company's policy to maintain a strong capital base and to sustain future development of the business.

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the shareholders of the Company.

Management monitors the return on capital and the level of dividends paid to shareholders and seeks to maintain a balance between the higher returns (which could be enhanced by higher levels of borrowing) and the benefit and security provided by a sound capital position.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and its financial needs.

22 ASSETS HELD IN FIDUCIARY CAPACITY

As at 31 December 2018, client money and investments held under fiduciary capacity amount to SR 31.43 million (31 December 2017: SR 50.78 million; 1 January 2017: SR 78.5 million) and SR 2,313 million (31 December 2017: SR 2,770 million; 1 January 2017: SR 6,070 million), respectively. These amounts were maintained with the Company by its customers for the purpose of investment in the local and UAE equity market on their behalf denominated in SR, AED and USD. As the Company acts in a fiduciary capacity, these are not included in the financial statements of the Company.

The Company entered into custodial service agreement with a mutual fund operating in the Kingdom of Saudi Arabia to acquire 95% shares in a limited liability company on behalf of the fund. The Company has not recorded such investment in its financial statements as it is merely acting as custodian for the fund.

23 REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The capital base, minimum capital requirement and capital adequacy ratio of the Company as per the CMA's Prudential Rules are as follows:

	<i>31 December 2018</i>	<i>31 December 2017</i>	<i>1 January 2017</i>
Capital Base:			
Tier 1 Capital	66,413,030	44,784,938	44,631,718
Tier 2 Capital	-	-	-
	<hr/>	<hr/>	<hr/>
Total Capital Base	66,413,030	44,784,938	44,631,718
	<hr/>	<hr/>	<hr/>
Minimum Capital Requirement (See (d) below):			
Credit risk	2,564,132	3,076,000	2,251,000
Operational risk	3,162,058	3,230,000	3,418,000
	<hr/>	<hr/>	<hr/>
	5,726,190	6,306,000	5,669,000
	<hr/>	<hr/>	<hr/>
Capital Adequacy Ratio:			
Total Capital Ratio (times)	11.60	7.10	7.87
Tier 1 Capital Ratio (times)	11.60	7.10	7.87

- a) Tier 1 capital consist of share capital and audited accumulated losses less intangible assets. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part III of the Prudential Rules.
- b) The Company manages its capital base in light of Pillar I and Pillar II of the Prudential Rules - the capital base should not be less than the minimum capital requirement.
- c) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.
- d) The minimum paid up capital required as per Article 6(g) of the Authorised Persons Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia in respect of licensed activities of the Company is SR 50 million.

24 APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors of the Company approved the financial statements on 28 Rajab 1440H (corresponding to 4 April 2019).